

**FEDERAL FISCAL YEAR 2019
MONITORING REPORT
ON THE
TEXAS WORKFORCE COMMISSION
VOCATIONAL REHABILITATION DIVISION
VOCATIONAL REHABILITATION
AND
SUPPORTED EMPLOYMENT PROGRAMS**



**U.S. Department of Education
Office of Special Education and
Rehabilitative Services
Rehabilitation Services Administration**

January 19, 2021

TABLE OF CONTENTS

	Page
Section 1: The Scope of the Review	2
Section 2: Focus Area – Performance of the State Vocational Rehabilitation Services and State Supported Employment Services Programs.....	4
Section 3: Focus Area –Pre-Employment Transition Services for Students with Disabilities.....	20
Section 4: Focus Area – Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Programs.....	24
Section 5: Focus Area – Joint Workforce Innovation and Opportunity Act Final Rule Implementation	43
Appendix A: State Vocational Rehabilitation Services and State Supported Employment Services Programs Performance Tables	47
Appendix B: Service Record Review Results	58
Appendix C: Fiscal Data Tables	61

SECTION 1: THE SCOPE OF THE REVIEW

A. Background

Section 107 of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by Title IV of the Workforce Innovation and Opportunity Act (WIOA), requires the Commissioner of the Rehabilitation Services Administration (RSA) to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Rehabilitation Act to determine whether a vocational rehabilitation (VR) agency is complying substantially with the provisions of its State Plan under Section 101 of the Rehabilitation Act and with the evaluation standards and performance indicators established under Section 106 of the Rehabilitation Act subject to the performance accountability provisions described in Section 116(b) of WIOA. In addition, the Commissioner must assess the degree to which VR agencies are complying with the assurances made in the State Plan Supplement for Supported Employment Services under Title VI of the Rehabilitation Act.

Through its monitoring of the State Vocational Rehabilitation Services program (VR program) and the State Supported Employment Services program (Supported Employment program) administered by the Texas Workforce Commission's (TWC) Vocational Rehabilitation Division (VRD) in Federal fiscal year (FFY) 2019, RSA—

- Assessed the performance of the VR and the Supported Employment programs with respect to the achievement of quality employment outcomes for individuals with disabilities, including those with significant and most significant disabilities;
- Identified strategies and corrective actions to improve program and fiscal performance related to the following focus areas:
 - Performance of the State Vocational Rehabilitation Services and State Supported Employment Services Programs;
 - Pre-Employment Transition Services for Students with Disabilities;
 - Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Programs; and
 - Joint Workforce Innovation and Opportunity Act Final Rule Implementation.

In addition, RSA reviewed a sample of individual service records to assess internal controls for the accuracy and validity of Case Service Report (RSA-911) data and service records to assess measurable skill gains (MSGs).

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of an on-site visit from September 16 through 20, 2019, is described in detail in the State Vocational Rehabilitation Services and State Supported Employment Services Programs Federal Fiscal Year 2019 Monitoring and Technical Assistance Guide.

B. Review Team Participants

Members of the RSA review team included: Brian Miller, James Billy, and Terry Martin (Technical Assistance Unit); Nicole Jeffords and April Trice (Vocational Rehabilitation Program Unit); David Miller (Fiscal Unit); and Yann-Yann Shieh (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

C. Acknowledgements

RSA wishes to express appreciation to the representatives of TWC and VRD for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of others, such as the State Rehabilitation Council (SRC), the Client Assistance Program, advocates, and other stakeholders in the monitoring process.

SECTION 2: FOCUS AREA – PERFORMANCE OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS

A. Purpose

Through this focus area, RSA assessed the achievement of employment outcomes, including the quality of those outcomes, by individuals with disabilities served in the VR program through conducting an analysis of VR program data and a review of individual service records. The analysis below, along with any accompanying findings and corrective actions, is based on a review of the programmatic data contained in Appendix A of this report. The data used in the analysis are those collected and reported by the VR agency.

B. Analysis of the Performance of the VR Program

VR Agency Profile

Resources: Appendix A—Tables 1, 2, and 3

In Program Year (PY) 2017, based on data reported by TWC, VRD received 30,409 applications for VR services and determined 25,842 individuals eligible for services. That same year, 19,552 participants developed individualized plans for employment (IPE) and received services, while only 1,282 individuals whose IPEs were developed did not receive VR services.

Table 2, which uses Federal fiscal year (FFY) data, shows the number of applicants significantly declined from 46,478 in FFY 2016, to 32,953 in FFY 2018. The RSA review team discussed this performance trend with TWC and VRD, who offered a number of explanations to help explain the decline in applications. They explained that the consolidation of two State VR agencies into one and the move of many VR offices into Texas Workforce Solutions Offices made it confusing for referral sources to know where to send potential VR customers.

The agency also asserted that the strong economy played a role in fewer individuals applying. The record low unemployment rate, and the employers' need to hire workers, meant fewer individuals were experiencing challenges finding work in the robust Texas economy at that time.

Despite the decline in applications, Table 2 shows that the number of individuals with an IPE who received services declined only slightly, from 76,284 in FFY 2016, to 73,537 in FFY 2018. These data include individuals who applied and were determined eligible in prior years and continued to receive services by the agency. Additionally, the percentage of individuals with IPEs and who did not receive services declined just over one percent, from 20.7 to 19.8 percent over these same three FFYs.

Table 1 shows that VRD had an employment rate of 58.1 percent in PY 2017. This means that nearly 60 percent, or 12,818 individuals, exited with employment after receiving services.

Of those exiting with competitive integrated employment, 191 individuals were reported as doing so with supported employment in PY 2017. TWC and VRD indicated to the RSA review team that this number was underreported insofar as it does not reflect all those who achieved a supported employment outcome, and that VR counselors were likely not indicating in the case management system that an individual was employed with long-term support when closing the case.

The percentage of individuals eligible for an MSG was 1.7 percent in PY 2017, and 1.5 percent were reported as having achieved an MSG. The agency noted to the RSA review team that these figures were far below the actual percentages of those whom the agency expected to be eligible for, and to have achieved, an MSG due in part to reporting errors and challenges in implementing this performance measure into the regular reporting protocol for VR counselors.

VRD was not operating under an order of selection during FFYs 2016-2018, and at the time of this review it had no plans to implement an order.

Table 3 shows that VRD served 6,921 individuals with blindness or visual impairments in PY 2017, 9.5 percent of all individuals served that program year. Of these, 4,602 individuals were reported as blind. That same program year, 11,573 individuals with deafness, auditory, and communication disabilities were served, or 15.9 percent of all individuals. Taken together, 25.4 percent of all individuals served had a sensory disability – that is, a visual impairment or deafness/hearing loss. It is rare for a State VR program that is not a separate agency established to serve the blind or visually impaired to serve such a high percentage of individuals with sensory disabilities. VRD stated that the percentage of all individuals served who had a sensory disability reflects the agency's commitment to specialized services provided by the legacy agencies and likely the presence of coordinating institutions such as the Texas School for the Deaf, the Texas School for the Blind and Visually Impaired, as well as the agency's Criss Cole Rehabilitation Center. Both the agency and advocacy groups have emphasized the importance of ensuring blind services remained a priority after consolidation. VRD leadership and staff also stated that they expected this percentage to hold steady over time.

The VR Process

Resources: Appendix A—Tables 1, 2, 4, and 5

Table 1 shows that 99.9 percent of individuals who did not have an eligibility determination extension in place received an eligibility determination within the required 60 days from the date of application in PY 2017. In addition, 7.8 percent of eligibility determinations made in PY 2017 were made after the agency and the individual agreed to an extension. VRD's performance in PY 2017 with respect to the requirement that IPEs be developed within 90 days was not as strong, with 83.0 percent of individuals with IPEs developed within the required timeframe.

Table 4 shows that 33,206 individuals exited the VR program in PY 2017. Of these, as noted above, 12,818 individuals exited with employment, while 9,258 individuals exited without employment after receiving services. Additionally, 5,043 individuals exited as an applicant, and

6,065 exited after an eligibility determination, but before an IPE was developed. Only five individuals exited from trial work, and no one exited into non-competitive or non-integrated employment.

Table 5 shows that, in PY 2017, apart from exiting with employment, the next two most common reasons for exiting the VR program were “no longer interested in VR services,” with 6,911 individuals, or 20.8 percent, reported as exiting for this reason, and “unable to locate or contact” with 5,938 individuals, or 17.9 percent of the 33,206 individuals who exited, reported as exiting for this reason. With respect to these two categories, VRD has not collected specific survey information on these individuals’ circumstances, but the agency believes that many leave because they’ve found work and are no longer interested in services.

VR Services

Resources: Appendix A—Tables 6 and 7

In PY 2017, 72,993 individuals received VR services.

Under the category of training services, 11.5 percent of participants received some kind of postsecondary educational training, including 3,652 participants, or 5.0 percent, who received bachelor’s degree training; 2,250 participants, or 3.1 percent, who received junior or community college training; and 2,488 participants, or 3.4 percent, who received occupational or vocational training.

However, the agency reported no individuals received graduate degree, apprenticeship, or basic academic remedial or literacy training during this period. Similarly, only 39 individuals, or 0.1 percent, were reported as receiving on-the-job training.

While on-site, TWC and VRD asserted that the data shown in Table 6, particularly as they pertain to graduate degree training, reflected a data capture issue

In addition to the above, 2,270 participants, or 3.1 percent of those served in PY 2017, received job readiness training, and an additional 769 participants, or 1.1 percent, received disability-related skills training. Lastly, 1,697 participants, or 2.3 percent, received miscellaneous training services.

Substantially more participants received career services, including: 75.4 percent of participants who received counseling and guidance; 16.2 percent of participants who received diagnosis and treatment of impairment; and 15.5 percent of participants who received assessment services.

According to the data reported, no participants received job search assistance in PY 2017, and a relatively small number, 3,078, or 4.2 percent, received job placement assistance. However, 898 participants, or 1.2 percent, received short-term job supports, and 1,986 participants with the most significant disabilities received supported employment services.

As reported, no participants received customized employment in PY 2017. Likewise, no youth received extended services as allowed under the supported employment program.

The most commonly provided VR service among the services categorized as “other services” was rehabilitation technology services, with 6,171 participants, or 8.5 percent, receiving this service in PY 2017. The percentage declined significantly for the next most commonly provided services, with 4.8 percent, or 3,488 participants, receiving maintenance, and 4.7 percent, or 3,424 participants, receiving transportation services.

Quality of Employment Outcomes

Resources: Appendix A—Tables 1, 4, 5, 6, 8, 9, and 10

For PY 2017, TWC reported that the 12,813 participants VRD assisted to achieve competitive integrated employment earned a median hourly wage of \$11.00 and worked a median of 40 hours per week. TWC and VRD attributed this performance to the strong Texas economy during the period of the review and the quality of services provided by the VR program. The RSA review team asked whether the figure for median hours worked was accurate, as 40 hours is extraordinarily high for a median weekly rate. The agency agreed that it did seem high, and went back and validated the data. Review of the data showed that almost half of the exits in the cohort were at 40 hours worked per week, contributing to a median calculation of 40. The average (mean) number of hours worked per week at exit was 32.

Of the 12,813 participants who achieved a competitive integrated employment outcome, 10,077, or 78.6 percent, reported their own earnings as their primary source of income. Only 1,040 participants, or 8.1 percent, reported public support as their primary source of income.

TWC reported on behalf of VRD that 1,420 participants, or 11.1 percent, were receiving Social Security Disability Insurance (SSDI) at the time of exit, although not all individuals reported this as their primary source of income. Only 833 participants, or 6.5 percent, reported receiving Supplemental Security Income (SSI) at time of exit. Temporary assistance to Needy Families (TANF), general assistance from the State of Texas, veteran’s disability benefits, worker’s compensation, and other sources of aid, when taken together, were received by 1,057 individuals, or 8.3 percent of all participants who exited with employment.

Employers comprised the most frequent single source of medical insurance for participants achieving employment, with 2,936 participants, or 22.9 percent, receiving this source of medical insurance. An additional 18.5 percent, or 2,373 participants, received private insurance from other sources. Regarding insurance at exit, Medicaid accounted for an additional 10.6 percent of participants, or 1,359, and Medicare, 2,050, or 16.0 percent of participants.

Table 9 shows that, in PY 2017, 2,758 participants achieved a competitive integrated employment outcome in office and administrative support occupations, with a median wage of \$10.00 an hour. Of these, 920 were in customer service with a median wage of \$9.75 an hour. This category of employment constituted by far the highest number of outcomes.

The next largest category of employment, as reported by State occupational classification (SOC) code, was transportation and material moving occupations, with 1,213 individuals working in this field, with a median hourly wage of \$12.40. When asked why this category comprised such large numbers of outcomes, the agency attributed it to the geographic size of the State, and its diverse economy which results in transportation of products such as fruit and vegetables from the

valley, chickens and lumber in East Texas, beef cattle and oil and gas in West Texas and in the Houston area refineries near the port of Houston that feed transportation systems of imports as well as exports. As a consequence, the State has a large transportation sector which employs a large number of drivers and transportation workers.

The category of “Food preparation and serving related occupations” was not far behind transportation, with 1,114 outcomes, but with a substantially lower median hourly wage of \$8.50.

The remainder of the 7,728 outcomes were spread fairly evenly across the other categories, such as sales, personal care services, building and grounds cleaning and maintenance, production occupations, health care support, education, and installation maintenance and repair, none of which had more than 900 outcomes.

At \$39.00 an hour, the two individuals who exited the VR program as Randolph-Sheppard vending facility operators earned the highest hourly wages in PY 2017. Individuals achieving employment in three other categories received hourly wages above \$20 per hour, including legal occupations, architecture and engineering occupations, and health care practitioners. This last category constituted 398 outcomes in PY 2017, with a median hourly wage of \$21.00.

Overall, the data demonstrated that VRD performed well with respect to the quality of the employment outcomes achieved by participants despite a relatively low number of individuals receiving postsecondary training services. The RSA review team encouraged TWC and VRD to promote and support employment leading to careers and advancement outcomes whenever possible.

Pre-Employment Transition Services

Resources: Appendix A—Tables 11 and 12

Table 11 shows that, of the total 20,512 students with disabilities reported through the RSA-911 in PY 2017, 1,443 were students with 504 accommodations, 18,176 were students with an individualized education program (IEP), and 1,192 had neither 504 accommodations nor an IEP.

Students with a disability who received a pre-employment transition service totaled 2,498. Only 92 potentially eligible students with a disability were reported as receiving a pre-employment transition service. Table 11 further shows that 2,406 students with disabilities who received a pre-employment transition service applied for VR services.

TWC and VRD told the RSA review team that these data represent an across-the-board undercounting of these pre-employment transition services measures.

The agency asserted that it expected to be able to better capture accurately the numbers of students with disabilities served. RSA will assess the degree to which TWC and VRD collect and report pre-employment transition services data more accurately through a review of data for PY 2019 and future years.

C. Internal Controls

The RSA review team assessed performance accountability in relation to the internal control requirements in 2 C.F.R. § 200.303. Internal controls mean a process, implemented by a non-Federal entity, designed to provide reasonable assurances regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations. Internal controls are established and implemented as a measure of checks and balances to ensure the proper expenditure of funds. Internal controls serve to safeguard assets and prevent fraud, waste, abuse, and mismanagement. They include methods and procedures the grantee uses to manage the day-to-day operations of grant-supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.

Policies and Procedures

Prior to the on-site monitoring review, RSA requested documentation from VRD outlining its policies and procedures related to the case service record; reporting on the RSA-911; and internal control processes (e.g., ensuring data accuracy, reliability, and timely submission), along with a description of case file documents used by agency staff to organize case files. TWC and VRD provided RSA with a description of various attributes of the case management system related to RSA-911 data file submission, data file extraction from the case management system, and RSA-911 quarterly data reporting. TWC and VRD provided evidence that they had developed Monitoring Oversight and Internal Controls (MOSAIC) guides, which had been updated annually since 2014, and were in place during the review period. However, the MOSAIC guide did not fully incorporate the requirements of PDs 16-04 and 19-03 to ensure accurate reporting of data or that case service records contained the required supporting documentation.

VRD uses both electronic and paper files. Rehabilitation Assistants input intake details to assist VR counselors. The system does not have the capacity to store scanned documents. At the time of the on-site review, VRD informed RSA that it will be seeking a new case management system. TWC has developed 'Standard Operating Procedures (SOP)' collaboratively with the VRD, Information Technology (IT) division, and the Division of Insight (DOI) to compile and submit timely quarterly RSA-911 reports.

TWC implemented the MOSAIC on December 1, 2018, to ensure quality assurance and continuous quality improvement. The purpose of MOSAIC is to achieve consistent, compliant, high-quality outcomes for all VR Stakeholders. TWC also implemented the Quality Assurance and Quality Improvement (QAQI) protocols to allow regional managers and central office leadership to oversee the case reviews conducted by supervisors. These procedures and processes were concurrently implemented.

VRD has six regions. Each region is required to review 10 percent of the cases annually. At the time of the review, VRD case reviews focused on compliance issues in the following areas: eligibility determination; IPE development; case service costs greater than \$25,000; cases open longer than five years; cases in which no counseling and guidance is provided for more than 180

days; and closure documents for both successful and unsuccessful outcomes. VRD does not review for MSG or other WIOA performance measures.

TWC under-reported on behalf of VRD a number of services due to limitations with the VR program case management system. Some VR services provided were not checked off in the case management system due to the bundling of services into one check off box in the service record, rather than indicating each individual service provided.

The agency did not report pre-employment transition services accurately either for similar reasons pertaining to the case management system. At the time of the on-site visit, TWC did not have the capacity to retrieve pre-employment transition services data for VR services performed in-house by VRD staff and only reported purchased services on the RSA-911 provided through its contracts and vendors. In addition, TWC significantly under-reported the number of MSGs due to limitations of the case management system. Three modules designed to capture MSG, Credential Attainment, and Pre-employment transition data were added into the systems a few months prior to the RSA on-site review.

Service Record Review

The RSA review team randomly selected 20 service records of participants who exited with competitive integrated employment or supported employment and 18 service records of participants who earned MSGs to verify that the service records contained documentation supporting data reported by the VR agency on the Case Service Report (RSA-911). The results of that review are summarized in Appendix B.

The purpose of reviewing the 20 cases closed in competitive integrated employment was to verify and ensure that the documentation in the case service record was accurate, complete, and supported the data entered into the RSA-911 with respect to date of application, date of eligibility determination, date of IPE, start date of employment in primary occupation at exit, hourly wage at exit, employment status at exit, type of exit, and date of exit.

The case review revealed that, although the dates of application were correct for all cases reviewed, the other data elements reviewed (date of eligibility determination, date of most recent IPE, starting date of employment in primary occupation at exit, hourly wage at exit, employment status at exit, type of exit and date of exit) were all below 100 percent and were either missing proper supporting documentation or data shown in the document did not match data submitted to RSA.

Of the 20 service records reviewed, 5 percent did not have supporting documentation for the date of eligibility that matched the RSA reports; 30 percent did not include verification of the start date for employment, and 30 percent of start dates for employment did not match data reported on the RSA-911 report; 20 percent did not include verification of the individual's employment status at closure; 35 percent of the service records reviewed did not include documentation of the hourly wage at exit; 15 percent did not include documentation of the type of closure; and 5 percent did not have supporting documentation for the date of exit. Overall, 11 cases had required documentation in the service record for the data elements reviewed; nine service records contained data in the case management system that matched what was reported on the

RSA-911; and eight service records had both the documentation and the correct data reported in the RSA-911.

In addition to these 20 cases, RSA also reviewed 18 cases of individuals who earned MSGs in PY 2017. The purpose of the MSG case review was to verify and ensure that the documentation in the case service record was accurate, complete, and supported the data entered into the RSA-911 with respect to those data elements needed to calculate the MSG indicator.

The MSG case review revealed deficiencies in the start date of initial VR services on or after IPE, the date enrolled in an education or training program, and all MSGs categories. The primary issue in the MSG review was not only proper documentation to validate the MSGs reported, but also TWC did not submit accurate reports as required by 34 C.F.R. § 361.40. The agency cited major system issues as the reason for discrepancies between the information reported in the RSA-911 and what was included in the case file. Prior to June 28, 2019, there were issues in *Rehab Works* to report and extract MSGs required data elements.

Of the 18 MSG service records reviewed, none had supporting documentation to verify the Date of the Most Recent MSG, Training Milestones, and, Date of the Most Recent MSG for Skills Progression. Specifically, 63.6 percent did not have supporting documentation for the Date of the Most Recent MSG Postsecondary Transcript or Report Card; 45.5 percent did not have supporting documentation for the Date of the Most Recent MSG Secondary Transcript Report Card; 50 percent did not have supporting documentation for the Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment; and 22.2 percent did not include verification of the Start Date of Initial VR Service on or after development of the IPE.

Overall, only five MSG cases had all required documentation to support the data reviewed, and only Three of the 18 MSG cases recorded data elements in the *Rehab Works* system that matched data reported on the RSA-911.

D. Findings and Corrective Actions

RSA's review of the performance of VRD in this focus area resulted in the identification of the following finding and the corresponding corrective actions to improve performance.

2.1. Internal Controls for Case File Documentation and Reporting

Issue: Did VRD maintain effective internal controls over the Federal award to provide a reasonable assurance that it was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award in accordance with 2 C.F.R. § 200.303. Did the agency's internal controls ensure that case files adhere to the record of service requirements in 34 C.F.R. § 361.47. Specifically, in fulfilling these requirements, did the internal controls ensure that VRD adhered to the requirements for closing the record of services of an individual who achieved an employment outcome pursuant to 34 C.F.R. § 361.56.

Requirements: Pursuant to 2 C.F.R. § 200.303, VR agencies are required to develop an internal controls process to provide reasonable assurances regarding the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and to be implemented as a

measure of checks and balances to ensure proper expenditure of funds, including the evaluation and monitoring of compliance with statutes, regulations, and the terms and conditions of Federal awards. Furthermore, a State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program.

Additionally, 2 C.F.R. § 200.303 requires a non-Federal entity to—

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations, and the terms and conditions of Federal awards;
- Take prompt action when instances of non-compliance are identified, including noncompliance identified in audit findings; and
- An internal control deficiency would exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or correct processes that might lead to non-compliance with Federal and State requirements.

Pursuant to 34 C.F.R. § 361.47(a), VR agencies must maintain for each applicant and eligible individual a record of services that includes, to the extent pertinent, documentation including, but not limited to, the individual’s application for VR services, the individual’s IPE, and information related to closing the service record of an individual who achieves an employment outcome.

Under 34 C.F.R. § 361.56, the service records for individuals who have achieved an employment outcome may only be closed if: an employment outcome described in the individual’s IPE in accordance with 34 C.F.R. § 361.46(a)(1) has been achieved and is consistent with an individual's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice; the employment outcome is maintained for an appropriate period of time, but not less than 90 days to ensure stability of the employment outcome and the individual no longer needs VR services; the outcome is considered to be satisfactory and agreed to by the qualified rehabilitation counselor employed by the State VR agency and the individual who must also agree that the individual is performing well in the employment; and the individual has been informed of postemployment services through appropriate modes of communication. Under 34 C.F.R. § 361.47(a)(15), prior to closing a service record, VR agencies must maintain documentation verifying that the provisions of 34 C.F.R. § 361.56 have been satisfied. More specifically, under 34 C.F.R. § 361.47(a)(9), VR agencies must maintain documentation verifying that an individual who obtains employment is compensated at or above minimum wage

and that the individual’s wage and level of benefits are not less than that customarily paid by the employer for the same or similar work performed by individuals without disabilities.

Analysis: As part of the monitoring process, RSA analyzed the internal controls implemented by TWC and VRD and reviewed 38 service records from the period of review, including 20 service records of individuals who achieved competitive integrated employment or supported employment, and 18 service records of individuals who achieved MSGs. During the course of the review, RSA identified the following areas for which sufficient internal control processes need to be further developed and/or strengthened.

Insufficient Internal Control Policies

Prior to the on-site review, as well as after the on-site review, VRD provided RSA with a description of various attributes of its case management system related to RSA-911 data file submission, data file extraction from its case management system, and RSA-911 quarterly data reporting. Although the agency did have the MOSAIC guides in place during the period of review, these internal controls were not sufficient to ensure accurate reporting of data, or to ensure that case service records contain the required supporting documentation of services provided.

Data Integrity

The results of the service record review demonstrated that the documentation VRD maintained in its service records was insufficient in terms of verifying the employment status of individuals at the start of employment and time of closure, as well as the hourly wages at exit. Of the service records reviewed for individuals who achieved competitive integrated employment or supported employment, RSA found that:

- 30 percent of the service records reviewed did not include required documentation to substantiate either the start date of employment in primary occupation at exit or closure, or the date of exit or closure;
- 35 percent did not include documentation of the hourly wage reported at exit or closure;
- 20 percent did not include documentation of the individual’s employment status at exit or closure;
- 15 percent did not include documentation to substantiate the type of exit or closure; and
- 5 percent did not include documentation to substantiate the date of exit or closure.

Competitive integrated employment or supported employment cases

Data Element Reviewed	With supporting documents	Data matched with RSA
Date of application	100%	100%
Date of eligibility determination	95%	95%
Date of most recent IPE	100%	90%
Start Date of Employment in Primary Occupation at Exit or Closure	70%	70%
Hourly Wage at Exit or Closure	65%	80%

Employment Status at Exit or Closure	80%	95%
Type of Exit or Closure	85%	100%
Date of Exit or Closure	95%	95%

As a result of the case review, RSA determined that the requirements for case closure, including the maintenance of documentation in 34 C.F.R. § 361.47(a) were not met during the period of review. In addition, internal controls were not sufficient to ensure case closure requirements in 34 C.F.R. § 361.56 were met.

MSGs

While on-site, RSA reviewed 18 service records of participants who earned MSGs. During this review, RSA identified a number of reporting insufficiencies, including: the start date of the initial VR service on or after IPE development; the date enrolled during program participation in an education or training program leading to a recognized postsecondary credential or employment; and all other MSG categories. The primary issue identified was the lack of supporting documentation to substantiate the MSGs reported, as 13 of the 18 service records reviewed did not include the required documentation for data elements.

Of the service records reviewed for those individuals who achieved an MSG, 27.8 percent did not include a start date of initial VR service on or after IPE development that matched what was reflected in the case file and reported in the case management system or on the RSA-911. Sixty-one percent did not include date enrolled during program participation in an education or training program leading to a recognized postsecondary credential or employment that matched what was reflected in the case file and reported in the case management system or on the RSA-911. Similarly, 63.6 percent of service records reviewed for individuals who achieved an MSG substantiated by a secondary transcript or report card, and 81.8 percent of service records reviewed for individuals in receipt of a MSG substantiated by a postsecondary transcript or report card did not include dates that matched across the case file and what was reported in the case management system or on the RSA-911. Of the service records reviewed for date of most recent MSG for training milestone and skills progression, none of the cases included information that matched across the case file and what was reported in the case management system or on the RSA-911 and did not include the required documentation for data elements.

Measurable skill gains review results

Data Element Reviewed	With supporting documents*	Data matched with RSA*
Start Date of Initial VR Service on or after IPE	77.8% (14/18)	72.2% (13/18)
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	50% (9/18)	38.9% (7/18)
Date of Most Recent MSG: Educational Functioning Level	50% (1/2)	50% (1/2)

Date of Most Recent MSG: Secondary Transcript Report Card	54.5% (6/11)	36.5% (4/11)
Date of Most Recent MSG: Postsecondary Transcript/Report Card	36.4% (4/11)	18.2% (2/11)
Date of Most Recent MSG: Training Milestone	0% (0/2)	0% (0/2)
Date of Most Recent MSG: Skills Progression	0% (0/3)	0% (0/3)

*Note: Some MSG data elements are not applicable to some cases.

TWC must maintain documentation (either hardcopy or electronic documents) to verify accurate reporting of Federal requirements, including the individual’s date of application, the date VR services began under the IPE, and specific information related to the competitive employment outcome and supporting documentation to proof various types of MSGs. For some of the service records reviewed, TWC did not maintain case files that substantiated these reporting requirements, indicating that its internal controls in this area need improvement. Therefore, without documentation that the data elements were valid, RSA was unable to verify whether the date VR services began under the IPE, the competitive employment outcomes, and the MSGs that TWC reported on the RSA-911 were completely accurate.

Conclusion: As a result of the analysis, RSA determined that VRD was not maintaining effective internal controls over the Federal award that would provide a reasonable assurance that it was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award in accordance with 2 C.F.R. § 200.303. Furthermore, RSA determined that VRD did not have sufficient written policies, procedures, or internal controls that ensure the accurate reporting of information for individuals who achieved competitive integrated employment or supported employment and participants who achieved MSGs; and case files and supporting documentation adhere to the record of service requirements; nor were there sufficient internal controls that ensure the adherence to the requirements for closing the record of services of an individual who has achieved an employment outcome.

Corrective Action 2.1: RSA requires that VRD—

- 2.1.1 Further develop policies and procedures so that the provisions of 34 C.F.R. § 361.47 are met through service record documentation, as well as the requirements at 34 C.F.R. § 361.56;
- 2.1.2 Further develop mechanisms to collect and aggregate the results of management and peer service record reviews and use the results to inform the training and evaluation of staff; and
- 2.1.3 Conduct training for staff to ensure policies and procedures on service documentation are followed.

Agency Response: TWC/VRD partially concurs with the findings in Section 2.1 as described below.

Recommendations 2.1.1 – 2.1.3: Lack of Internal Control Policies and Procedures

TWC/VRD does not concur with corrective actions 2.1.1 – 2.1.3. because TWC/VRD has internal control policies and procedures, management-led and peer service record reviews and

mechanisms to track and monitor case reviews for training and evaluation of staff already developed and in place. TWC/VRD agrees that these existing internal controls can be strengthened and need to be improved for measurable skill gains. Please see the detailed discussion below.

Internal Controls for Case File Documentation

TWC/VRD does not concur that the agency lacked internal controls for case file reviews. The review of case files and the policies and procedures for case file reviews has been in place since December 2014. TWC/VRD continued the policies and procedures that were in place prior to VRD's transfer to TWC from the Department of Assistive and Rehabilitative Services (DARS). TWC's Monitoring Oversight and Internal Controls (MOSAIC) process ensures monitoring, oversight, and internal controls of the VR program specifically related to areas that affect a customer and a customer's VR case. The MOSAIC process is updated annually.

While RSA was on site, TWC staff stated that the annual update of the MOSAIC guide for FY2020, was in draft form but agreed to send RSA the FY2019 MOSAIC guide. The FY19 MOSAIC guide had been updated to include source documentation checks for MSG. This update to the 2019 guide was within the technical and purchasing review and checked that the dates in the RHWs Education History page aligned with the dates in the paper case file. TWC/VRD sent the FY2019 MOSAIC guide and the VR Quality Assurance and Quality Improvement (QAQI) procedures to RSA staff per their request, via a September 18, 2019 email. The September 18, 2019 email with attachments is being submitted for your reference with our management response. We are also forwarding the MOSAIC process guides for FY2016 and FY2017, which covered the PY17 review period, to provide evidence of the internal controls that were in place in PY17. Additional improvements have been made to the MOSAIC guide in each subsequent annual update to ensure appropriate oversight of supporting documentation requirements.

Not only did TWC/VRD have the necessary internal controls to be in compliance with federal law through MOSAIC, the agency was in compliance with state law codified in 2015 which required TWC/VRD to review 10 percent of all cases annually in each program and region. TWC also implemented the QAQI protocols in December 2018 to establish oversight reviews conducted by regional managers and state office leadership of the case reviews conducted by supervisors. The Vocational Rehabilitation Services Manual (VRSM) was also updated on October 1, 2017 to provide thorough information on Quality Assurance including internal controls in VRSM D-400 Quality Assurance and Continuous Quality Improvement.

Data Integrity/Employment Documentation at Closure

TWC/VRD agrees with RSA's finding that of the 20 service records reviewed, not all of the cases had detailed information for verifying the employment status and hourly wages of customers at the time of closure. These 20 cases for individuals exiting the VR program were pulled from PY17 where 12,818 participants exited in competitive integrated employment or supported employment. VRD disagrees with RSA's conclusion that because 20 cases were not 100 percent compliant, that the agency did not have written policies, procedures, and internal controls for case file review and supporting documentation.

In Program Year 2017 (PY17) the timeframe of the monitoring review, there was not a federal policy requiring certain types of source documentation necessary for verifying employment and

wages at closure. The Final Rule at 34 C.F.R. § 361.47(b) did not prescribe necessary types of documentation but rather, left it up to the state unit and the state rehabilitation council. In March 2017, RSA published "Guidelines for Supporting Documentation" which provided "examples" of source documentation and noted that there may be "other documents" that RSA would find sufficient to verify the validity of case service record data elements. Based on the March 2017 guidelines, TWC/VRD was not limited to using the examples of source documents provided by RSA. Specific source documentation requirements were not published by RSA until December 2018, in Technical Assistance Circular (TAC) 19-01. While RSA staff reviewed TAC-19-01 with VRD staff during the on-site review, this policy guidance was not in effect during the period of time which was being monitored and from which the case files were pulled. It is not clear from RSA's case file reviews what was considered "proper supporting documentation" and if the standards that were used by RSA to evaluate source documentation were actually in effect in PY17.

At the state level, two policies for case file documentation were in effect during PY17 since VR was in the process of consolidating general VR and blind services. These policies allowed entry of employment and wage verification information into closure screens in the case management system and the use of case notes. While on site, RSA staff reviewed closure screens and case notes, but some reviewers thought that the information contained in the case notes and closure screens lacked specificity and supporting documentation. While TWC/VRD agrees that there is always room for improvement, the agency contends that the source documentation reviewed by RSA for verifying employment and wages at closure was in compliance with state policies in place in PY17, 34 C.F.R. § 361.47(b) and RSA's March 2017, "Guidelines for Supporting Documentation."

Measurable Skills Gains

TWC/VRD agrees that the data integrity for collection and reporting of Measurable Skill Gains (MSG) was lacking at the time of the RSA on-site service record review. This was due in part to the extensive changes that were required for data capture and reporting by PD-16-04, instructions for the completion of the Case Service Report Manual (RSA-911) which took effect at the beginning of Program Year 2017 (PY17), the time period of the monitoring review. PY17 was a time of constant policy updates, case management system changes and staff training that was needed to satisfy both the requirements of PD16-04 and the continued development and refinement of WIOA related changes.

Since the RSA site visit in September 2019, VRD has taken several steps to improve data capture and reporting on MSGs. Using the data integrity and validation framework set forth in RSA's Technical Assistance Circular (TAC) 19-01, "Guidance for Validating Jointly Required Performance Data Submitted under the Workforce Innovation and Opportunity Act (WIOA)," VRD has implemented a Data Gaps Initiative. This initiative included the formation of a Data Integrity Team in April 2020. The Data Integrity Team is composed of one staff from each of the six VR regions, two staff from TWC's Division of Operational Insight, and seven State Office staff from the Director's office, Program Operations, and Program Policy and Support. The responsibility of the Data Integrity Team is to address the many variables that affect the integrity of data capture and reporting.

So far in 2020, VRD with the assistance of the Data Integrity Team, has dedicated additional staff resources to monitor data anomalies and implement solutions, delivered two, targeted training webinars for counselors and field staff on entry of MSG and Credential Attainment (CA) data into the ReHabWorks (RHWs) case management system, made improvements to RHWs to provide prompts and edit checks to assist staff in entering all required data for MSG attainments, added three reports to the case management system to allow state and local staff to oversee and monitor MSG performance, updated policies on the acquisition and acceptable types of source documentation, and required all relevant staff to take an Assessment of Knowledge on MSGs and Credential Attainment (CA) and pass the assessment with an 80 percent proficiency level. As of September 9, 2020, 1191 VRD, staff had taken the assessment. The average score on the assessment was 91%, and the median score was 95%. As a result of these efforts the MSG rate officially reported by VRD went from 7.43% in PY18 to 23.52% in PY19. VRD is confident that we are aggressively addressing the issues raised by RSA on MSG data capture, reporting and verification and we look forward to sharing our progress with RSA as a part of the corrective action plan process.

RSA Response: RSA appreciates the feedback from TWC/VRD and the additional efforts that have been implemented since the on-site portion of the review was conducted to improve the integrity of data reported to RSA and ensure all required supporting documentation is included in case service records.

Agency Request for Technical Assistance: TWC/VRD is requesting technical assistance from RSA in the form of a policy review of our current policies and procedures for case service reviews and for obtaining source documentation. The agency would appreciate RSA's review of the sufficiency of these policies and procedures to address gaps identified in the monitoring review.

E. Technical Assistance provided

During monitoring activities, RSA provided technical assistance to VRD as described below.

- RSA reviewed 34 C.F.R. § 361.47 and provided technical assistance on maintaining required supporting documentation in the case service records.
- RSA shared TAC-19-01 with TWC and VRD staff describing valid documents needed for collecting and reporting data.
- RSA discussed how enhanced internal controls would help TWC and VRD ensure the accuracy and validity of the data being collected and reported to RSA.
- RSA encouraged VRD to implement controls to verify that the wage an individual earns is consistent with the occupation in which the individual is employed. RSA also recommended that the agency review its data at a macro-level prior to submission to assess potential coding errors or trends that would not be caught by individual record edit checks.
- RSA suggested that VRD implement case service record reviews that include WIOA performance measures and data elements as part of its internal control procedures. These reviews would serve as a mechanism to ensure that staff are adequately trained and are following procedures. They would also serve as a mechanism for VRD to identify policies and procedures that may need to be developed or improved.

- RSA discussed how to better report the provision of VR services, as relatively small percentages of participants were reported as receiving training, career, or other services in PY 2017.
- RSA provided technical assistance to VRD on the quality of employment outcomes. Although the labor market in Texas largely reflects the job categories that participants achieved, the review team discussed that providing more postsecondary educational services may result in a higher percentage of employment outcomes leading to careers and advancement in employment.
- RSA discussed the low rate of MSGs reported to RSA, and how the case management system could be modified to ensure more accurate reporting.
- RSA provided technical assistance to VRD staff on how to verify wages, employment status, and closure letter information included in the case service record.
- RSA discussed with the TWC data team how data in the monitoring tables are calculated.
- RSA discussed the concept of a Statistical Adjustment Model and how it may be used to better predict MSG numbers and discussed the impact of incorrect reporting on the prediction.
- RSA provided estimated 2nd quarter after exit employment rate and median earnings to agency staff to alert them to possible data reporting errors and to ensure data reporting accuracy on these two measures.
- RSA provided TWC and VRD with the annual employment rates over the past 20 years and emphasized the importance of these data despite the fact that the employment rate is no longer part of the Standards and Indicators monitored by RSA.
- RSA reviewed and explained some key issues identified in VRD's PY 2018Q4 dashboard that should be analyzed for further performance improvement.

SECTION 3: FOCUS AREA –PRE-EMPLOYMENT TRANSITION SERVICES FOR STUDENTS WITH DISABILITIES

A. Purpose

The Rehabilitation Act, as amended by Title IV of WIOA, places heightened emphasis on the provision of services, including pre-employment transition services under Section 113, to students with disabilities to ensure they have meaningful opportunities to receive training and other VR services necessary to achieve employment outcomes in competitive integrated employment. Pre-employment transition services are designed to help students with disabilities to begin to identify career interests that will be explored further through additional vocational rehabilitation services, such as transition services. Through this focus area the RSA review team assessed the VR agency’s performance and technical assistance needs related to the provision of pre-employment transition services to students with disabilities.

B. Implementation of Pre-Employment Transition Services

The VR agency must consider various requirements in providing or arranging for the provision of pre-employment transition services for students with disabilities under Section 113 of the Rehabilitation Act and 34 C.F.R. § 361.48(a). Students with disabilities may receive pre-employment transition services as either potentially eligible or eligible individuals for the VR program. A discussion of VRD’s service delivery system and implementation of pre-employment transition services follows.

Structure of Service Delivery

Pre-employment transition services are provided by VR counselors, Transition VR counselors, and CRPs to students with disabilities aged 14 through 21 who are potentially eligible and eligible for VR services. Students can self refer, or be referred to VRD by their special education teachers, Section 504 coordinators, or family members. To streamline the pre-employment transition services processes, the agency developed a Request to Receive Pre-Employment Transition Services form, which includes demographic information such as: (a) a student’s name (b) date of birth; (c) social security number or driver’s license or State ID number; (d) currently enrolled in school; (e) gender; (f) ethnicity; and (g) student or representative signature. The collection tool also requests a copy of the student’s IEP and 504 accommodations, to assist in determining if a student has a disability. Pre-employment transition services are provided in group settings and on an individualized basis and tracked in the agency’s case management system. Pre-employment transition services are purchased under VRD’s VR fee schedule.

Outreach and Planning for the Delivery of Pre-Employment Transition Services

VRD ensures that all required activities as described in Section 113(b) of the Rehabilitation Act and 34 C.F.R. § 361.48(a)(2) are made available to or arranged for students with disabilities statewide, including students who are eligible or potentially eligible for pre-employment transition services. The agency assigns at least one VR counselor or Transition VR counselor to each independent school district (ISD) or public secondary school in the State to provide pre-

employment transition services. VRD also reported that its VR counselors are active in attending IEP meetings, job fairs, conferences, and participation on interagency workgroups. Others have presented at transition events in local school districts. VRD managers participate in workgroups and conferences to educate personnel across the State about pre-employment transition services.

VRD completed its most recent Comprehensive Statewide Needs Assessment (CSNA) in FFY 2017. CSNA findings revealed that students with disabilities have difficulty accessing meaningful employment. As a result of these findings, VRD reported that it educated students about science, technology, engineering, and mathematics (STEM) careers through its Explore STEM! initiative. Through the Explore STEM! initiative, the agency partners with colleges and universities across the state to support students with disabilities by providing STEM education basics, mentoring and teamwork, and skills training as the students explore STEM careers. The agency also offers work-based learning opportunities in many fields, including STEM, through its Summer Earn and Learn program. VRD hopes these services will increase the availability of year-round work-based learning experiences and expose students to increased opportunities to access meaningful employment.

State Educational Agency (SEA) Agreement

VRD and the Texas Education Agency (TEA) work collaboratively to provide pre-employment transition services to students with disabilities who are eligible or potentially eligible for VR services. VRD and TEA finalized the SEA agreement in August 2017. The interagency agreement includes: the purpose of the agreement; consultation and technical assistance; the roles and responsibilities, including the financial responsibilities of VRD and TEA; Section 511 requirements; and measures to resolve conflict.

Pre-Employment Transition Services Policies and Procedures

RSA reviewed the agency's policies and procedures for transition and pre-employment transition services. Topics covered in the policies and procedures include: (a) Definitions of a student with a disability and youth with a disability; (b) description of transition services and pre-employment transition services; and (c) the processes for coordinating with education officials, including technical assistance and outreach efforts. VRD's policies and procedures also reference child labor laws, assistive technology, case note documentation, dual credit courses, and paid work experiences.

Provision of Pre-Employment Transition Services

VRD provides pre-employment transition services to students with disabilities who are (a) enrolled in secondary school (including home school or other alternative secondary education program, or postsecondary education program), are at least 14 years of age but not older than 21; and (b) receiving or eligible for special education or related services under Part B of IDEA or being an individual with a disability for purposes of Section 504. VRD and its CRPs provide the five required activities described in Section 113(b) of the Rehabilitation Act and 34 C.F.R. § 361.48(a)(2) in group settings and on an individual basis. These activities occur statewide and are made available to students in need of pre-employment transition services regardless of whether a student with a disability has applied for VR services.

RSA and VRD discussed the following five required activities and the types of services and activities provided to students with disabilities throughout Texas:

- Job Exploration Counseling- This required activity includes administration of vocational interest inventories; discussion of labor market information; attendance at job fairs; participation in worksite visits; job interview techniques; hygiene and grooming standards; and proper clothing for an interview and work;
- Work-based Learning Experiences (WBLE)- During the summer of 2017, VRD established Summer Earn and Learn (SEAL), a work-based learning experience initiative designed to assist students with disabilities to prepare for postsecondary education and develop job skills. VRD provides these WBLE experiences in collaboration with the Texas Workforce System, and over 6,800 students have participated in SEAL since its inception;
- Counseling on Opportunities for Enrollment in Comprehensive Transition or Postsecondary Educational Programs- Students participate in university and/or college tours; discussion of college majors and course offerings with academic advisors; understanding the difference in laws for postsecondary institutions and high school; and learn how to obtain accommodations in the college setting;
- Workplace Readiness Training- Includes soft skills and interpersonal skills training, including how to implement active listening skills; identifying positive and negative workplace communications; time management; problem solving; teamwork; and
- Self-Advocacy- Includes Providing guidance and counseling on self-regulation skills to control emotions and solve problems; Developing self-awareness and understanding one's own disability, including disability disclosure; how to request reasonable accommodations; and establishing and accomplishing goals.

VRD also launched Pathways to Careers (PCI), an initiative designed to prepare students with disabilities for competitive integrated employment. Summer Earn and Learn and Charting the Course: Planning for Life after High School are two of the eight initiatives implemented through PCI. As previously reported, VR counselors are also active in attending IEP meetings.

VRD and RSA reviewed the statutory and regulatory requirements related to the provision of the nine authorized activities as described in Section 113 of the Rehabilitation Act and 34 C.F.R. § 361.48(a)(3). At the time of the review, VRD reported that it had expended a portion of its 15 percent reserve on the nine authorized activities. Activities included conducting staff trainings and development of training materials.

C. Findings and Corrective Actions

RSA's review of VRD in this focus area did not result in findings and corrective actions to improve performance.

D. Technical Assistance

In the course of conducting monitoring activities, RSA provided technical assistance to VRD as described below.

- RSA clarified that work-based learning experiences may include opportunities that are in school, after school, or outside the traditional school setting. Further, RSA informed VRD that work-based learning experiences may include: Job shadowing, career mentorship, career-related competitions, informational interviews, paid internships, non-paid internships, service learning opportunities, student-led enterprises, simulated workplace experiences, paid work experiences, non-paid work experiences, volunteering, and workplace tours or field trips.
- RSA emphasized the importance of reporting pre-employment transition services activities within the State of Texas. It is important that TWC and VRD implement administrative methods and procedures that ensure proper data collection. Section 101(a)(10)(C) of the Rehabilitation Act, as amended by WIOA, expands the VR program-specific data that State VR agencies must report, including data elements related to students with disabilities who are receiving pre-employment transition services. These reporting requirements are included in 34 C.F.R. § 361.40(a) to ensure RSA has the information needed to assess the performance of the VR program.
- RSA recommended that VRD develop work-based learning experiences and opportunities in high-skill jobs and industries.
- RSA informed TWC that it should use “enrolled in school” as it relates to the definition of a student with a disability in its policies and procedures and other documentation specific to pre-employment transition services.
- RSA recommended that VRD use the following continuum when describing pre-employment transition services and individualized transition services in its policies and procedures: (a) pre-employment transition services are available only to students with disabilities, and applications and IPEs are not required; and (b) individualized transition and other VR services are available to all eligible individuals, and IPEs are required.
- RSA informed VRD that it should use the full definition of a “student with a disability” as described in Section 7(37) of the Rehabilitation Act and 34 C.F.R. § 361.5(c)(51), and omit “and otherwise meets the eligibility criteria for VR services”, when citing the definition in its State educational agreement and other documentation specific to pre-employment transition services.
- As written in VRD’s pre-employment transition policies and procedures, it appears that only a youth with a disability designated as most significant may receive VR services. RSA clarified that a youth with a disability may receive general VR services and that a youth with a most significant disability may receive supported employment services and extended services, if found eligible for VR services. RSA recommended that VRD update its policies to reflect this requirement.

SECTION 4: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS

A. Purpose

Through this focus area RSA assessed the financial management and fiscal accountability of the VR and Supported Employment programs to ensure that: funds were being used only for intended purposes; there were sound internal controls and reliable reporting systems; available resources were maximized for program needs; and funds supported the achievement of employment outcomes for individuals with disabilities, including those with the most significant disabilities, and the needs of students with disabilities for pre-employment transition services.

B. Scope of Financial Management Review

During the monitoring process, RSA reviewed the following areas related to financial management and accountability:

Period of Performance

Period of performance is the time during which the non-Federal entity (grantee) may incur new obligations to carry out the work authorized under the Federal award (2 C.F.R. § 200.77). In order to accurately account for Federal and non-Federal funds, the VR agency must ensure that allowable non-Federal and Federal obligations and expenditures are assigned to the correct FFY award. RSA uses the financial information reported by the grantee to determine each VR agency's compliance with fiscal requirements (e.g., reservation of funds, matching, MOE, etc.). The RSA review team assessed VRD's performance in meeting the period of performance requirements related to the proper assignment of obligations and expenditures to the correct grant award(s).

VR Program Match

VR program regulations require that the State must incur a portion of expenditures under the VR services portion of the Unified or Combined State Plan from non-Federal funds to meet its cost sharing requirements (34 C.F.R. § 361.60). The required Federal share for expenditures made by the State, including expenditures for the provision of VR services and the administration of the VR services portion of the Unified or Combined State Plan, is 78.7 percent. The State's share is 21.3 percent. The RSA review team assessed VRD's performance in meeting the matching requirements for the VR program, including whether the matching level was met, as well as whether the sources of match were consistent with Federal requirements and any applicable MOE issues.

The RSA review team addressed requirements pertaining to the following sources of non-Federal share used by the State as the match for the VR program.

- State appropriations;

- Third-party cooperative arrangements (only FFY 2017, transferred from blind program);
- Randolph-Sheppard set-aside (FFYs 2017 and 2018); and
- Other (non- Federal grants, donations, local funds, etc.) (FFYs 2017 and 2018).

Supported Employment Program Match

Supported Employment program regulations require that the State expend 50 percent of its total Supported Employment program allotment for the provision of supported employment services, including extended services, to youth with the most significant disabilities. The Supported Employment program funds required to be reserved and expended for services to youth with the most significant disabilities are awarded through the SE-B grant award. The Federal share for expenditures from the State’s SE-B grant award is 90 percent. The statutorily required 10 percent match requirement applies to the costs of carrying out the provision of supported employment services, including extended services, to youth with the most significant disabilities. This means that the 10 percent is applied to total expenditures, including both the Federal and non-Federal shares, incurred for this purpose, and that the non-Federal share must also be spent on the provision of supported employment services, including extended services, to youth with the most significant disabilities.

The RSA review team assessed the matching requirements for the Supported Employment program, including an assessment of whether the matching level was met, as well as whether the sources of the match were consistent with Federal requirements.

Prior Approval

The Uniform Guidance (2 C.F.R. § 200.407) requires prior written approval (prior approval) for various grant award activities and proposed obligations and expenditures. RSA reviews and approves prior approval requests on behalf of the Department of Education. The RSA review team examined VRD’s internal controls to ensure that the VR agency is meeting the prior approval requirements.

Vendor Contracts

The RSA team reviewed three areas related to vendor contracts:

- Determining rates of payment;
- Supporting documentation for payments; and
- Contract monitoring.

This review area included contracts with CRPs and the procurement of other goods and services, including professional services.

C. Findings and Corrective Actions

RSA’s review of VRD in this focus area resulted in the identification of the following findings and the corresponding corrective actions to improve performance.

Finding 4.1 Prior Written Approval Not Obtained for One-stop Capital Expenditures

Issue: Whether VRD obtained prior written approval from RSA before incurring capital expenditures, as it was required to do by 2 C.F.R. §§ 200.407(l) and 200.439(b).

Requirement: The Uniform Guidance at 2 C.F.R. §§ 200.407(l) and 200.439(b) make clear that any expenditures incurred for the following capital expenditures are not allowable unless the grantee receives prior written approval from the Federal awarding agency (i.e., RSA) before incurring such costs:

- general purpose equipment, buildings, and land;
- special purpose equipment¹ that have a unit cost of \$5,000 or more; and
- improvements to land, buildings, and equipment that materially increase their useful life or value.

The Uniform Guidance at 2 C.F.R. § 200.13 defines “capital expenditures,” which is a term used in both 2 C.F.R. §§ 200.407(l) and 200.439(b), as:

expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets **that materially increase their value or useful life**. (emphasis added)

The Uniform Guidance at 2 C.F.R. § 200.12 defines “capital assets,”² which is a term used in the definition of “capital expenditures,” as:

tangible or intangible assets used in operations **having a useful life of more than one year** which are capitalized in accordance with GAAP. Capital assets include:
(a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
(b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets **that materially increase their value or useful life** (not ordinary repairs and maintenance) (emphasis added).

The Uniform Guidance at 2 C.F.R. § 200.33 defines “equipment,” which is a term used in the definitions for “capital assets” and “capital expenditures” and the requirements at 2 C.F.R. §§ 200.407(l) and 200.439, as:

tangible personal property (including information technology systems) **having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the**

¹ Given the definition of “special purpose equipment” at 2 C.F.R. § 200.89, these expenditures are not applicable to this Finding.

² Although the definition of “capital asset” makes clear that it includes assets acquired by purchase or lease agreements, RSA wants to make VRD aware that the definition of “capital asset” at 2 C.F.R. § 200.1 was revised, effective November 12, 2020, to make clear that the term “capital assets” does not include “right-to-use operating lease assets (per FASB)” (85 FR 49506 (Aug. 13, 2020)).

lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. See also §§200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies (emphasis added).

The VR program regulations at 34 C.F.R. § 361.12 require VRD to assure in its VR services portion of its Combined State Plan that it will employ methods of administration for the proper and efficient administration of the State Plan and for carrying out all functions for which the State is responsible under the Plan. These methods must include procedures necessary to ensure financial accountability, which would include the requirement to submit a request for prior written approval before incurring certain costs when necessary pursuant to the Uniform Guidance applicable to all Federal grantees. Furthermore, 2 C.F.R. § 200.303 requires VRD to establish and maintain effective internal control over the VR award that provides reasonable assurance that the agency is managing the VR award in compliance with all Federal requirements. These Federal requirements would include applicable requirements in 2 C.F.R. part 200, including those governing prior written approval before incurring capital expenditures.

Analysis: RSA's on-site monitoring covered VRD's VR program activities for the period of FFYs 2016 through 2018. During the monitoring period, VRD submitted a request for prior written approval on May 14, 2019 asking RSA to approve the use of Federal VR program funds to pay an estimated \$1,951,327 in projected capital expenditures. According to its request, VRD anticipated needing to incur the costs in FFY 2020 to pay for the projected costs of co-locating local VRD offices with local Workforce Solutions offices at five locations in Texas. It was appropriate, under 2 C.F.R. §§ 200.407(1) and 200.439, for VRD to submit the May 14, 2019, request for prior written approval.

However, the request included historical cost data from 46 sites at which VRD had previously used VR funds to pay co-location construction and other costs. VRD stated in its request that it was including the historical cost data to support the reasonableness of the projected costs noted in the May 14, 2019, request for prior written approval since the agency did not have detailed project or bid data at the time. The historical data included several categories of expenditures, with two of the largest being capital expenditures for "Construction of offices and other improvement costs" and "IT Costs." The total amount of expenditures identified on that historical data spreadsheet was \$2,020,231, and the heading at the top of that column specifically stated: "Total Costs Subject to RSA Approval." A few examples of the costs identified in the historical cost data are as follows:

- \$24,958 for an accessibility ramp;
- \$50,825.00 for five new offices, converted one storage room to an office, knocked down a wall, and built four open space cubes, electrical for automatic door openers;
- \$107,248.00 for, among other capital expenditures, framing of six offices and one file room, three automatic door openers, carpet, vinyl, plumbing, HVAC, and electrical; and

- \$39,547 for Americans with Disabilities (ADA) upgrades to the interior, and accessible path from parking lot³

Based on financial records and other supporting documentation reviewed by RSA during the FFY 2019 on-site monitoring, it appears that many, if not all, of the capital expenditures identified on the historical cost data spreadsheet were incurred during the period covered by the monitoring activity (i.e., FFY 2016 through FFY 2018). Although the historical cost data spreadsheet acknowledged that the total costs identified were “subject to RSA approval,” VRD had not obtained prior written approval from RSA for any of those costs even though it was required to do so pursuant to 2 C.F.R. § 200.407(l) and 200.439. In its May 14, 2019 request for prior written approval, VRD stated that the request was the first of such requests because the agency had previously determined that the costs “did not constitute capital improvements.”

This Finding focuses on the capital expenditures incurred by VRD, as identified in the historical cost data, which were subject to the requirement for prior written approval but for which VRD did not obtain approval before incurring the costs under the VR program. The Uniform Guidance at 2 C.F.R. § 200.407 makes clear that the purpose of a grantee obtaining prior written approval for certain costs, such as capital expenditures, is to ensure their reasonableness and allocability and to avoid subsequent disallowance or disputes of those costs. Furthermore, 2 C.F.R. § 200.439(b) makes clear that certain capital expenditures are not allowable unless the grantee – e.g., VRD – obtains prior written approval from the Federal awarding agency – i.e., RSA. Specifically, 2 C.F.R. § 200.439(b)(1) and (3), in pertinent part, require VRD to obtain prior written approval before incurring capital expenditures for the following:

- general purpose equipment, buildings, and land; and
- capital improvements to land, buildings, and equipment that materially increase their value or useful life.

“Capital expenditures,” a key term used in both 2 C.F.R. §§ 200.407(l) and 200.439(b), is defined at 2 C.F.R. § 200.13 as:

expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

“Capital assets,” which is a term used in the definition of “capital expenditures,” is defined at 2 C.F.R. § 200.12 as:

³ Because improvements to the one-stop center to meet ADA accessibility requirements and make other accessibility improvements will benefit all of the workforce development partners co-located at the site, not just the VR program, such costs must be allocated across all benefitting programs based on relative use and proportional benefit, pursuant to 2 C.F.R. § 200.405. Finding 4.2.D (later in this report) discusses this issue in more detail.

tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

(a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and

(b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

The Uniform Guidance at 2 C.F.R. § 200.33 defines “equipment,” which is a term used in the definitions for “capital assets” and “capital expenditures” and the requirements at 2 C.F.R. §§ 200.407(l) and 200.439, in pertinent part as: “tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.

In looking at the costs identified in the historical data submitted by VRD on May 14, 2019, to support its request for prior written approval at that time, RSA found that the costs that VRD had incurred previously under the VR program met the definition for “capital expenditures” because the costs were for items or activities that would satisfy the definitions of “capital assets” and “equipment under the Uniform Guidance. For example, one column of costs identified in the historical data submitted by VRD was for “IT Costs,” which are identified as an example of “equipment” at 2 C.F.R. § 200.33, when the cost exceeds the State’s per unit acquisition amount threshold or \$5,000, whichever is less. Another column of costs identified in the historical data was for “Construction of offices and other improvement costs.” Land and buildings constitute “capital assets” on their face, as defined at 2 C.F.R. § 200.12, because they have a useful life of more than one year. Improvements to those capital assets constitutes “capital expenditures,” as defined at 2 C.F.R. § 200.13, when they materially increase the useful life or value of those assets. The examples identified above from the historical cost data spreadsheet would either increase the useful life of the capital asset or, more likely, increase the value of the capital asset. Specifically, the owner of the property could obtain higher rent from future leaseholders because of the permanent improvements made to satisfy ADA accessibility requirements or the upgrades made to the plumbing, electrical, and HVAC systems. In addition, the market value of the building is likely to increase with the permanent buildout of additional offices, thereby making the building more marketable to companies and agencies needing office space with more offices. Because these expenditures met the Federal definition of “capital expenditures” at 2 C.F.R. § 200.13, VRD was required to obtain prior written approval from RSA before incurring any of these costs pursuant to 2 C.F.R. §§ 200.407(l) and 200.439.

In discussions with RSA during and after the on-site monitoring, VRD attempted to explain that it interpreted the requirements at 2 C.F.R. §§ 200.407(l) and 200.439 as applying only when the agency owns the building for which the improvements are made. VRD made this same argument in its request for prior written approval on May 14, 2019 for the projected FFY 2020 capital expenditures for improvements to office buildings, stating that prior written approval was not required because VRD leases the buildings. It is important to note that the definitions of “capital assets” and “capital expenditures” at 2 C.F.R. §§ 200.12 and 200.13, respectively, can apply to

either owned or leased tangible property. Therefore, the definitions and associated requirements for prior written approval at 2 C.F.R. §§ 200.407(l) and 200.439 are applicable regardless of whether VRD owns or leases the property. However, the status of the property, whether it is owned or leased and the structure of any lease, could impact the analysis of the reasonableness and allocability of capital expenditures. Prior written approval takes on added importance when capital expenditures are incurred for improving capital assets that are leased. In those circumstances, it is necessary, as part of the process for reviewing the request for prior written approval, for RSA to determine whether the proposed expenditure is structured to protect the Federal interest. Because VRD did not obtain prior written approval for any of the costs identified on the historical cost data spreadsheet, as it was required to do, RSA is unable to determine whether the Federal interest has been protected in the expenditure of VR program funds for the improvements to capital assets in accordance with 2 C.F.R. §§ 200.41, 200.316, and 200.329.

In addition, VRD management explained to RSA during the on-site monitoring activities that the State of Texas has a capital expenditure threshold of \$100,000 (<https://fmx.cpa.texas.gov/fmx/pubs/spaproch1/index.php#buildings>). VRD believed that State agencies must only seek prior written approval when the capital expenditures exceed \$100,000. We want to make clear this State policy is not consistent with the Federal requirement applicable to all Federal grant recipients with respect to requesting prior written approval for capital expenditures. The Uniform Guidance makes clear that capital expenditures are only allowable with the prior written approval from the Federal awarding agency (2 C.F.R. §§ 200.407(l) and 200.439). No dollar thresholds are provided in the definition for “capital expenditures” for buildings, land, or improvements to buildings or land. Rather, the \$5,000 threshold described in 2 C.F.R. § 200.33 applies to defining equipment, which is one of the capital expenditures (defined at 2 C.F.R. § 200.13) that must receive prior written approval in accordance with 2 C.F.R. § 200.439. In other words, if an expenditure meets the definition of a “capital expenditure” at 2 C.F.R. § 200.13, VRD must request the prior written approval from RSA pursuant to 2 C.F.R. §§ 200.407(l) and 200.439. Furthermore, as a VR grant recipient, VRD assures in its VR services portion of its State Plan that it will employ methods of administration to ensure that Federal requirements are satisfied, which would include those for requesting prior written approval when necessary (see also 2 C.F.R. § 200.303).

Despite the arguments provided by VRD during the on-site monitoring activities, the historical cost data spreadsheet submitted by VRD suggests that the agency was aware of the requirement to obtain prior approval because the column heading for the total costs identified on the spreadsheet stated that “Total Costs Subject to RSA Approval.” This would have been consistent with the special clause on grant award notifications for FFY 2015 and subsequent awards necessitating implementation of these requirements in FFY 2016 and subsequent years. The special clause stated, in pertinent part, “that the prior approval requirements listed in the Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (2 C.F.R. Part 200) are applicable to this award... Grantees are responsible for ensuring that prior approval, when required, is obtained prior to incurring the expenditure. Grantees should pay particular attention to the prior approval requirements listed in the Cost Principles (2 C.F.R. Part 200 subpart E).” In addition, information regarding the requirements in 2 C.F.R. Part 200 was communicated to grantees via RSA’s listserv on September 23, 2015.

Although VRD had adequate notice of these requirements and, in fact, stated such costs were subject to RSA approval on the historical data spreadsheet it submitted to RSA on May 14, 2019, the agency did not obtain prior written approval for any of those costs which had been incurred previously under the VR program, as it was required to do.

Conclusion: RSA has determined that VRD did not satisfy the requirements of 2 C.F.R. §§ 200.407(l) and 200.439 when it did not obtain prior written approval before using VR program funds to pay for capital expenditures, as identified in the historical data spreadsheet submitted by VRD on May 14, 2019 to support an unrelated request for prior written approval at that time. The expenditures outlined in the historical data spreadsheet were for expenditures incurred in the co-location of VRD with the local workforce development offices, and were used to cover the costs of information technology and construction and other building improvements, all of which constitute “capital expenditures” as defined at 2 C.F.R. § 200.13. Without prior written approval for these costs, RSA cannot be certain whether other Federal requirements have been satisfied, such as those governing reasonableness and allocability and the protection of the Federal interest.

Corrective Actions 4.1: RSA requires that VRD—

- 4.1.1 Within 120 days after the date of the final monitoring report, develop and implement written internal control policies and procedures pursuant to 2 C.F.R. § 200.303, including a monitoring component consistent with 2 C.F.R. § 200.328, to ensure ongoing compliance with Federal requirements to obtain prior written approval before incurring certain costs, as set forth in 2 C.F.R. part 200, subpart E, particularly those for capital expenditures as required by 2 C.F.R. §§ 200.407(l) and 200.439. The policy must include, among other things: how VRD will ensure that the costs incurred will be allowable, reasonable, and allocable to the VR program, as required by the Federal cost principles set forth in 2 C.F.R. § 200.403 through 200.405; and how the Federal interest will be protected in accordance with 2 C.F.R. §§ 200.41, 200.316, and 200.329 when Federal funds are used to pay for “capital expenditures” to acquire or improve “capital assets,” as defined at 2 C.F.R. §§ 200.13 and 200.12, respectively; and
- 4.1.2 Within 120 days after the date of the final monitoring report, develop, carry out, and submit to RSA for review a detailed plan that analyzes and identifies all capital expenditures the agency paid using VR program funds during the period under review (i.e., in FFY 2016 through FFY 2018) (except for those costs incurred under an approved IPE or for which VRD obtained prior written approval from RSA), and provide records to support a property trust relationship between VRD and the property acquired or improved with Federal VR funds, consistent with the requirements of 2 C.F.R. § 200.316.

Agency Response: TWC/VRD partially concurs with the findings in Section 4.1. Please see below.

4.1.A. Compliance with Prior Approval Requirements

TWC/VRD does not concur with RSA’s statements and interpretations regarding capital expenses. TWC/VRD will revise existing prior approval policies to provide clarification of capital expenditures and safeguarding the Federal interest. TWC/VRD does not concur with RSA on CRP establishment. Please see detailed response below.

4.1.B. Capital Expenditures Analysis

TWC/VRD concurs to submit a plan that analyzes capital expenditures paid by VR program funds for the period under review and identify how TWC/VRD either safeguarded the Federal interest or reimburse the Federal government if the Federal interest is not safeguarded. Please see detailed response below.

Prior Approval/Capital Expenditures

TWC/VRD does not concur with RSA's statements and interpretations regarding capital expenses. It is not a correct statement that TWC asserts the cost identified do not require prior approval, only that select items of cost do not require prior approval as a capital expense. RSA asserts 2 CFR 200.13 has no dollar threshold on what materially increases the value of a building or increases its useful life as described in the definition of a capital expense. RSA's interpretation means almost any cost associated with a building (such as adding a ceiling fan, painting a wall, adding a power outlet, etc.) can be construed as a capital expense which should require prior approval as a capital expense and thus be depreciated over a specified period of time. Normal practice with respect to cost principles is when not specifically defined by a Federal granting agency it is permissible for the grantee to define terms according to its own written policies or procedures. Neither 2 CFR 200.13 nor the subsequent RSA-TAC guidance has defined a threshold for what constitutes materially increasing the value or useful life of an asset, but in this report, RSA is defining it as one cent or more of cost associated with a building. TWC asserts this is an incorrect interpretation of cost principles in 2 CFR 200.13 as well as the intent. None of the cost incurred to allow VR staff to move into local workforce offices materially increased the value of these buildings.

TWC/VRD also does not concur with RSA's statement that the agency was not in compliance with State Property Accounting policies. While there may have been one agency project that exceeded \$100,000, the Texas Comptroller of Public Accounts' (CPA) website also specifies that the improvement "be a part of a major repair or rehabilitation project that increases the value and/or useful life of a building." The examples cited from the CPA's website are based on entire systems (electrical, ventilation, etc.) being installed and the renovations made to accommodate VR staff cannot and should not be interpreted as the installation of entire systems. The CPA's guidance must be taken within context of not only the dollar amount but also the purpose behind and outcome of said project.

TWC/VRD does agree that in the initial stages of WIOA implementation and VR office integration into the Workforce Development System, the agency did not seek prior approval on certain planned expenditures based on the agency's interpretation of 2 CFR 200 and the determination that the expenditures did not constitute capital improvements. After several states received monitoring reviews and additional technical assistance was provided by RSA, TWC reassessed the agency's prior approval policies to ensure compliance and subsequently submitted the May 14, 2019 prior approval request. While RSA cites the issuance of Technical Assistance Circular 18-02 in April of 2018 and a special clause on Grant Award Notifications as providing adequate guidance on prior approval requirements, it should be noted that of the 23 programs that were monitored in both Fiscal Years 2017 and 2018, for which there are published monitoring reports, all 23 programs had monitoring findings on prior approval. It is clear from

these reports that there were widespread variations in the way states were interpreting the requirements surrounding prior approval.

CRP Establishment/Federal Interest

TWC/VRD does not concur with RSA's finding that a one-stop location that provides access to VR programs and services is a CRP. TWC/VRD believes this language as written, is not consistent with the widely held interpretation of the definition of a CRP in the WIOA. TWC presumes that RSA's phrase, "one-stop location" means a "one-stop center" as defined by the Workforce Innovation and Opportunity Act (WIOA). WIOA Regulation 20 C.F.R. 678.300 refers to a one-stop center as "a site," while 34 C.F.R. § 361.5(c)(7)(ii) describes a CRP as "an agency, organization, or institution, or unit of an agency, organization, or institution." As further clarified within Title I of WIOA, a one-stop center serves as a customer access point to a variety of programs administered by multiple entities. WIOA—which requires VRD to provide access to VR programs and activities through comprehensive one-stop centers in the State's one-stop delivery system, and which also makes certain amendments to the Vocational Rehabilitation Act of 1973—contains no provisions that define a one-stop center as a CRP or potential CRP when the one-stop center is used to provide access to VR programs and activities. Similarly, no such rule exists in the WIOA or VR program regulations. VRD as the designated state unit, provides direct services to individuals with disabilities as authorized under 34 C.F.R. §361.49(b) through one-stop center sites. As a state designated unit who provides VR services at a one-stop center site, the VRD is not a CRP as described in 34 C.F.R. §361.49(a).

TWC/VRD also does not agree that the agency is required to invoke establishment authority to make improvements that fall outside of the capital improvement/capital expenditure definition when integrating VR into the workforce center system. TWC/VRD agrees that the agency needs to carefully consider construction and renovation costs during integration moves and when these costs are necessary, either pay for the costs from non-Federal funds or require that the costs be absorbed by the lessor through a tenant improvement allowance. TWC/VRD also agrees that the agency needs to take steps to protect the Federal interest when office improvements are necessary to integrate local VR offices into one-stop center sites.

Prior to the RSA monitoring visit, TWC/VRD had spoken with RSA about the use of the tenant improvement allowance for construction and renovation and protecting the Federal interest when this arrangement is exercised. In a November 12, 2019 email to RSA, VRD confirmed our commitment to this approach. The requirement that tenant improvement allowances be used for any construction or renovation projects was issued to Boards in August 2020, via the "Guidance on Vocational Rehabilitation Integration with Local Workforce Boards and Workforce Solutions Offices." This guide states that a tenant improvement allowance must be amortized over the lease period with payments that reflect market rates. When Boards are unable to negotiate a tenant improvement allowance as a part of the lease, the creation of office space must be accomplished through the use of moveable walls or full height modular cubicles. While TWC/VRD built hard-walled offices to ensure confidentiality for customers as a part of some of the early VR integration moves, the restrictions on construction imposed by RSA's definition of capital expenditures required the agency to take a different approach. The purchase of new movable walls with improved sound barrier materials will afford the privacy needed by VR customers while giving VRD the flexibility to re-arrange office configurations and retain use of

the assets if a move is required. VRD contends that these actions address the concerns raised by RSA in the monitoring report.

RSA Response: RSA appreciates VRD’s Agency Response to the Finding. We especially appreciate that VRD has implemented new approaches to reconfiguring office spaces in leased buildings with removeable walls and sound barriers, thereby adding to the flexibility these capital expenditures (i.e., to the extent they meet the definition of “capital expenditures” and not “supplies” at 2 C.F.R. § 200.1) will afford VRD for future needs and the protection of the Federal interest. Nevertheless, for the reasons described below, the Finding that VRD did not obtain prior written approval for capital expenditures incurred under the VR program during FFYs 2016 through 2018, is sustained as substantially revised.

First, for purposes of this Finding, we have determined it not necessary to analyze whether VRD is a community rehabilitation program (CRP) and whether the capital improvements are done as an “establishment of a facility for a public or private [CRP],” as that term is defined at 34 C.F.R. § 361.5(c)(17). The only critical element for the analysis is whether the expenditures incurred by VRD and outlined on the historical data spreadsheet were capital expenditures, as that term was defined at 2 C.F.R. § 200.13 during the time period covered by this monitoring activity. For that reason, we have deleted all discussion of establishment from the revised Finding.

Second, with respect to the State policy setting a threshold of \$100,000 for capital expenditures, the Finding has been revised to delete all references to whether VRD satisfied the State policy because that determination is beyond our scope. While the discussion had been included initially for illustrative purposes, we have determined that the discussion is not needed to make the point that VRD had not satisfied the Federal requirements governing the need to obtain prior written approval before incurring capital expenditures, as that term is define in 2 C.F.R. part 200.

Third, with respect to the requirements governing the protection of the Federal interest, the Finding has been revised to state that because VRD had not obtained prior written approval for past capital expenditures, RSA cannot be certain that the Federal interest is protected, as required by 2 C.F.R. §§ 200.41, 200.316, and 200.329. While we appreciate that VRD plans to use only modular walls for future projects, we still have concerns about the Federal interest being protected for capital expenditures incurred in past projects at leased buildings (e.g., the hard walls and accessibility ramps that were installed and the upgrades to electrical and plumbing work), as well as the capital expenditures that will still be incurred for future projects that will not be removeable (e.g., electrical and plumbing upgrades). For that reason, we are requiring VRD, in the revised corrective actions, to demonstrate to RSA how the Federal interest will be protected for those capital expenditures that were incurred during FFYs 2016 through 2018 and for which prior written approval was not requested, despite being required by 2 C.F.R. §§ 200.407(l) and 200.439.

Fourth, we do not agree with VRD’s assertion that the State has the authority to define terms in a manner that differs from that defined by 2 C.F.R. part 200. To the extent that the Uniform Guidance is vague, the State is permitted to establish policies and procedures for its own implementation of the requirement so long as those policies and procedures are consistent with the Federal requirements. But in this case, VRD has ignored a clear and unambiguous

requirement. Specifically, 2 C.F.R. § 200.439(b), in pertinent part, makes clear that capital expenditures are not allowable, without prior written approval, for: equipment, land, and buildings; and for improvements to land, buildings, and equipment that materially increase their value or useful life.

As the revised Finding makes clear, the analysis for this issue turns on whether the expenditures incurred are “capital expenditures,” as that term is defined at 2 C.F.R. § 200.13. A “capital expenditure” is one incurred to acquire a capital asset or improve the capital asset in such a way that it materially increases the asset’s useful life or value. A “capital asset,” as defined at 2 C.F.R. § 200.12 means land, buildings, equipment, or intellectual property. The term also means

Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

The last key definition critical for this analysis is that for the term “equipment.” The Uniform Guidance defines “equipment” at 2 C.F.R. § 200.33 as tangible personal property (including information technology systems) having a useful life of more than one year and a per unit acquisition cost of \$5,000 or a capitalization level set by the State, whichever is less. To explain our Analysis further, in response to your comments, we will first use “equipment.” The historical data spreadsheet submitted by VRD clearly itemized information technology costs that had been incurred by VRD previously during other office moves. As noted in 2 C.F.R. § 200.33, information technology systems are considered “equipment” to the extent the system has a per unit acquisition cost of \$5,000 or the State’s capitalization level, whichever is less, and a useful life of more than one year. For purposes of this Finding, we will assume the information technology systems have a useful life of more than one year, thereby only leaving the per unit acquisition cost at issue for purposes of the definition. Even if the State of Texas were to have a \$100,000 capitalization threshold for capital expenditures, the definition of “equipment” makes clear that the Uniform Guidance requirements for “equipment” apply, at a minimum when the per unit cost is \$5,000. Therefore, given that the information technology costs incurred by VRD, as identified on the historical data spreadsheet, constitute “equipment,” all expenditures to acquire them constituted “capital expenditures, as defined at 2 C.F.R. § 200.13. As such, VRD was required to obtain prior written approval for those expenditures pursuant to 2 C.F.R. §§ 200.407(1) and 200.439.

As another example, the electrical, plumbing, and HVAC upgrades and the building of hard walls and accessibility ramps, to name a few of the costs identified on the historical data spreadsheet, satisfy both the definitions of “capital assets” and “capital expenditures,” as defined at 2 C.F.R. §§ 200.12 and 200.13, respectively. First, for purposes of a “capital asset,” all of these items just identified have a useful life of more than one year and, thus, satisfy that basic requirement. For those cost items that are for improvements to capital assets, the determination must be made as to whether the improvement “materially” increases the value or useful life of the capital asset. VRD asserts that none of the expenditures incurred to date materially increased the useful life or value of the capital assets. As noted in the Finding, we disagree. The installation of accessibility ramps and upgrades to electrical, plumbing, and HVAC systems increase the market value of the improved property. Similarly, the addition of offices to a building also

increases its market value for future lease or sale. For all of these reasons, we stand by our determination that these expenditures constituted “capital expenditures,” as defined at 2 C.F.R. § 200.13 (and now at § 200.1), and, therefore, required prior written approval before they were incurred pursuant to 2 C.F.R. §§ 200.407(l) and 200.439.

We disagree our analysis would require that a de minimis expenditure of one cent would constitute a “capital expenditure.” To be clear, none of the capital expenditures incurred by VRD and included in the historical data spreadsheet submitted on May 14, 2019, were of the type VRD described in its Agency Response. All of the expenditures incurred met the definition of “capital expenditures, as described herein, and required prior written approval. With respect to the types of expenditures that VRD mentions in its Agency Response (e.g., those for the installation of a ceiling fan, replacement of an electrical outlet, or painting of a wall), they would be considered ordinary maintenance or repairs or “supplies” (as that term was defined at 2 C.F.R. § 200.94 and now at § 200.1), and thus excluded from the definitions of “capital assets,” “capital expenditures,” and “equipment” at 2 C.F.R. § 200.1. As such, prior written approval would not be required for ordinary repairs and maintenance and “supplies,” pursuant to 2 C.F.R. §§ 200.407 and 200.439.

Finally, VRD asserts that many other State VR agencies encountered difficulty implementing the prior written approval requirements during the same time period. Even though VRD may be correct that other States had different interpretations of the requirements, it is not a defense that other State VR agencies had Findings related to the Federal requirements governing prior written approval during the same time period. While there might have been confusion in the field, this is a government-wide requirement that applies to all Federal grant recipients. There is no authority to waive or reduce the requirement in any way. RSA will provide VRD the technical assistance it has requested in this area.

In conclusion, although the Finding and corrective actions have been substantially revised in light of VRD’s Response, RSA maintains a Finding that VRD did not obtain the prior written approval that was required for the capital expenditures identified on the historical data spreadsheet, submitted on May 14, 2019. VRD must take the corrective actions required to ensure that prior written approval is obtained in the future, when required, and that the Federal interest is protected on all capital expenditures that have been incurred to date.

Agency Request for Technical Assistance: TWC/VRD is requesting technical assistance upon submission of its policy with regard to written statutory Federal compliance requirements.

4.2 Internal Control Deficiencies

Issue: Did VRD maintain effective internal control over the Federal award to provide reasonable assurance that it was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award.

Requirement: A State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program. These methods of administration (i.e., the agency’s

internal controls) must include procedures to ensure accurate data collection and financial accountability (34 C.F.R. § 361.12).

“Internal controls” means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations (2 C.F.R. § 200.61).

Additionally, 2 C.F.R. § 200.303, among other things, requires a non-Federal entity to—

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...;
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor the non-Federal entity’s compliance with statute, regulations, and the terms and conditions of Federal awards; and
- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

In accordance with the Uniform Guidance (2 C.F.R. § 200.302(a)), a State’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit the—

- Preparation of reports required by general and program-specific terms and conditions; and
- Tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

In its guidance titled *The Role of Internal Control, Documenting Internal Control, and Determining Allowability & Use of Funds*, the Department states that internal controls represent those processes by which an organization assures operational objectives are achieved efficiently, effectively, and with reliable, compliant reporting.

Therefore, an internal control deficiency would exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or correct processes that might lead to noncompliance with Federal and State requirements.

Analysis: RSA found several areas of concern that fall within the internal control focus area. These areas are identified below.

A. Excessive Cash on Hand. VRD reported excessive cash on hand balances in its SF-425 Federal financial reports as identified below.

H126A180092	4th quarter	\$4,077,949	(no remark)
H126A170093	2nd quarter	\$3,354,521	(unclear remark)
H126A170092	2nd quarter	\$14,524,410	(unclear remark)
H126A170092	4th quarter	\$3,143,832	(remark not applicable)
H126A170092	6th quarter	\$2,108,473	(no remark)

The Cash Management Improvement Act and Federal regulations at 31 C.F.R. part 205 and 2 C.F.R. § 200.305(b) require grantees subject to a Treasury-State Agreement (TSA) to follow the cash management processes prescribed in said agreement. Per section 8.6 of the Texas TSA, effective September 1, 2018, VRD must pay out Federal funds credited to its State account according to the terms of the agreement. VRD was not in compliance with these cash management requirements due to the excessive cash on hand balances it reported.

RSA-PD-15-05, *Revisions to PD-12-06, instructions for completing the Federal Financial Report (SF-425) for the State Vocational Rehabilitation Services program*, instructs VR grantees that if more than three business days of cash are on hand, RSA requires an explanation on line 12, Remarks, explaining why the drawdown was made prematurely or other reasons for the excess cash. Of the five instances listed above of the grantee reporting cash on hand, only three included a remark on line 12 (which is identical in each report). It states:

“The balance of Cash on Hand is due to the timing of method of finance adjustments. These adjustments were made after the quarter end, but prior to the close of the March accounting period and due date of the report. Future adjustments will be made more promptly, to avoid timing issues related to the quarter end.”

It is unclear from the remark the reason for the excess cash on hand. If the adjustments were made prior to the due date of the report, then it would follow that those adjustments could have been reconciled prior to report submission so the reported data accurately reflected the State’s system of accounting records after the adjustment. However, even if the remarks did a better job explaining the reasons for the excess cash on hand, large balances of cash on hand were reported in multiple consecutive reports - which suggests the grantee did not carry out its own stated remedy of making future adjustments more promptly. Additionally, the remark does not appear to be applicable to a fourth quarter report, given its reference to the March accounting period.

A. Missing Establishment Authority Policy. Because VRD does not have complete policies governing the establishment, development or improvement of a CRP, it must develop those policies consistent with 34 C.F.R. §§ 361.5(c)(16) & (17), 361.49(a)(1) & (b), and 2 C.F.R. § 200.303. The policy must address all the required components including, in part, the identification of need in the comprehensive state-wide needs assessment, and consultation with the Client Assistance Program and the State Rehabilitation Council and

a public hearing or hearings to provide for public comment on this change in policy, consistent with 34 C.F.R. § 361.20.

- B. Errors in Federal Financial Reporting Procedures.** RSA’s review of written policy documents concerning the financial management of VRD found that the desk aid for SF-425 reporting incorrectly states that line 10n “should be left blank since all program income received is in accordance with the deduction alternative and does not increase the amount of the grant.” This is inaccurate, since RSA policy, as defined in the terms and conditions of the award, requires agencies to disperse all program income in accordance with the addition alternative. Moreover, all SF-425 reports submitted by TWC VR during the period under review use the addition alternative.
- C. One-stop Infrastructure Funding Agreement Cost Review and Approval Process.** RSA reviewed several of VRD’s “Infrastructure Support Services and Shared Cost Agreements” (which is the contract vehicle the agency uses in lieu of the WIOA Joint-Implementation-prescribed Infrastructure Funding Agreement and Shared Cost Agreement) in which costs for accessibility features that benefit all programs co-locating at one-stop centers were not allocated across all benefiting programs but were allocated only to the VR program. In one example, the entire cost of an accessible wheelchair ramp was paid from VR program funds. Other costs allocated only to the VR program included automatic door openers, ADA labeling, and other interior accessibility upgrades.

While VRD staff indicated that some of the costs for accessibility features were for the sole use of individual staff members with specific accommodation needs, it was evident, based on RSA’s review of specific costs that in several cases, the accessibility feature would benefit the accessibility needs of all occupants of the one-stop centers. Since VRD approved IFAs with costs disproportionately allocated to the VR program, VRD was not in compliance with 2 C.F.R. § 200.405, Allocable costs, because the costs were not assigned in accordance with the proportional benefit received by all benefiting partners.

Additionally, the document VRD used to identify VR’s allocable share of infrastructure and one-time costs did not provide detail concerning the co-locating partners share of costs. While the agreements included one-time co-location costs that were assigned to the VR program (which frequently included construction), rarely did the agreements identify the one-time costs as shared costs, allocable to more than one cost objective. It is unclear how VRD was able to verify, based on the information provided in agreements where 100 percent of one-time costs were assigned to the VR program, that the full amount of one-time costs were actually allocable only to the VR program, and that no other programs would stand to benefit.

Conclusion: In the areas noted above, VRD did not maintain effective internal controls over the Federal award that provide reasonable assurances that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award, as required by 34 C.F.R. § 361.12 and 2 C.F.R. § 200.303. Specific internal control areas of deficiency, noted above, include documentation of control activities to ensure

management oversight of prior approval, Federal financial reporting, Establishment Authority requirements, and one-stop infrastructure cost review and approval.

While these control deficiencies suggest elevated risk to VRD's effectiveness and efficiency of operations, reliability of reporting, and compliance with applicable laws and regulations, the risk will be greatly reduced through management's development of internal controls at a level of detail necessary to address the complexity of its systems. The corrective action steps listed below will support VRD in improving its ability to correct processes that have led to the noncompliance finding noted above.

Corrective Actions 4.2: RSA requires that VRD—

- 4.2.A.** Within 90 days after the date of the final monitoring report, develop and implement written internal control processes and activities, including a monitoring component, to correct the underlying cause(s) of the large cash on hand balances noted in the finding.
- 4.2.B.** Develop and implement internal controls, consistent with relevant Federal requirements governing the establishment, development or improvement of a CRP.
- 4.2.C.** Within 120 days after the date of the final monitoring report, correct the errors identified in the finding.
- 4.2.D.i** Within 120 days after the date of the final monitoring report, develop and submit to RSA for review and approval, an improved one-stop IFA cost review and approval process that addresses the concerns identified in the finding and implement the new process.
- 4.2.D.ii** Within 120 days after the date of the final monitoring report, review and analyze one-stop co-location agreements to identify costs improperly allocated to the VR program and submit this information along with a plan to correct the unallocable portion improperly assigned to VR.

Agency Response: TWC/VRD partially concurs with the findings in Section 4.2. See below.

4.2 A. Excess Cash on Hand

TWC/VRD concurs with RSA's review of excess cash on hand. Since the time of RSA's review, the Financial Reporting Unit has developed internal procedures to process routine adjustments to journal entries for spending program income in a timelier manner, prior to the end of the accounting month. (Note: These procedures are being transmitted with this management response.) Since the reporting period ending March 31, 2019, the second year of Grant Year 2018 and the first year of GY 2019, TWC VRD reported zero cash on hand on its SF-425 Federal financial reports.

4.2 B Missing Establishment Authority Policy

TWC/VRD does not concur with RSA's conclusions that VR programs must exercise establishment authority for all VR integration costs. As stated earlier in the CRP establishment finding/response, any expense that RSA defines as a capital expenditure when reviewing items submitted for prior approval, will either not be purchased, or will be paid with non-federal funds that are not used to match the VR grant. Furthermore, VRD as the designated state unit, provides direct services to individuals with disabilities as authorized under 34 C.F.R. §361.49(b) through

one-stop center sites. As a state designated unit who provides VR services at a one-stop center site, the VRD is not a CRP as described in 34 C.F.R. §361.49(a).

4.2. C. Errors in Federal Financial Reporting Procedures

TWC/VRD concurs with RSA's review of financial reporting. As RSA indicated in their report, VRD correctly followed RSA's policy of reporting Program Income using the addition alternative. However, the desk aid for preparing the SF-425 incorrectly referenced using the deduction alternative. Upon receiving the RSA report the desk aid for preparing the SF-425 was corrected to detail the appropriate steps for reporting Program Income using the addition alternative. The desk aid was updated on August 27, 2020 and is being forwarded with this management response.

4.2.D.i and 4.2D.ii One-stop Infrastructure Funding Agreement Cost Review and Approval Process.

TWC/VRD does not agree that the agency approved IFAs with costs disproportionately allocated to the VR program, or that VRD was not in compliance with 2 C.F.R. § 200.405, Allocable costs. We will work with RSA during the corrective action period to identify the proportional benefit received by the VR program for all integration costs questioned in the report. Several of the costs questioned by RSA in the monitoring report were to remove architectural barriers for VR customers and staff. These expenditures sought to ensure full and equal access to the one-stop center VR office for our customers and staff with disabilities. Some of the costs were also for "portable" items such as door openers that can be dismantled and re-installed should VR need to re-locate in the future.

TWC/VRD agrees with RSA that more detail on shared costs for on-going workforce center costs would be beneficial as a part of the Infrastructure Funding Agreement (IFA) cost review and approval process. TWC will submit the requested plan that analyzes all expenditures paid with VR program funds related to co-location moves. In addition, TWC/VRD will work with RSA during the corrective action period to establish a cost allocation worksheet for the IFA cost review process that includes all one-stop partners, similar to the cost allocation table that TWC/VRD provides to RSA in the agency's prior approval requests.

During the RSA on-site visit, TWC/VRD explained that prior to the integration of Vocational Rehabilitation Services (VRS) into the workforce development system, Texas Workforce Commission (TWC) leadership conducted public forums across the state to listen to customer and advocacy group concerns regarding the integration of VRS into the workforce system. In addition, TWC and the Department of Rehabilitation Services (DARS) held joint public hearings about the integration of VRS and public comments were also given to legislative committees prior to the passage of Senate Bill 208, 84th Texas Legislature. Senate Bill 208 required the integration of all VRS offices into the workforce development system. One concern that was raised repeatedly through all of the public input sessions was that customers and advocates did not want the integration of VRS into the workforce development system to have a negative effect on the VR customer experience (access to services.) Changes to the delivery of VRS needed to enhance customer services, not lessen the experience. It is with this backdrop that TWC leadership formulated a general approach to the transition of VRS, making a commitment to ensuring that VR customers would not have a decrease in services and that they would have the same or better customer experience.

While all of the workforce center locations were in substantial compliance with Texas Accessibility Standards prior to VRS integration, they did not all meet the test set forth by TWC leadership – that the VRS customers would not have a lesser experience coming to a workforce center than they had prior to the integration of VRS. With this vision in mind, the VRD Director set a baseline that all workforce centers where VRS was being collocated, would have an automatic door opener on the main access door and on two bathroom doors that served workforce center customers. This base level of access was common in VRS offices prior to the integration of VRS into the workforce system. Additionally, the VRD Director sought to ensure that VR staff with disabilities would have the workplace accommodations necessary to function in the new environment. This sometimes meant adding additional bathroom door openers to toilet facilities that were on the same floor or in the same suite as the VR offices. TWC management determined it was a reasonable and necessary cost to ensure the same access to VR office facilities for staff with disabilities as were afforded to staff who did not have disabilities. Because the workforce centers where VR offices were integrated were already compliant with Texas Accessibility Standards and because the additional accessibility costs were to accommodate primarily VR customers and staff, the VR program paid 100 percent of these additional accessibility costs.

RSA Response: Regarding 4.2.B, VRS will note that the references to CRP were removed from finding 4.1 in order to focus that finding solely on the definition of capital expenditures in relation to the prior approval requirements. Finding 4.2.B., focused on the need for VRS to have an establishment policy to ensure that VR expenditures only allowable through the establishment authority are processed accordingly.

RSA appreciates the efforts VRS has taken to ensure staff have accessible work environments and this finding is not meant to diminish those efforts. The uniform guidance requires that expenses be charged to the VR program in proportion to the benefit received by the program. It is not based upon the willingness of a program to fund 100 percent of the costs. To the extent that other programs benefit from the accessibility upgrades, the State would need to pay for that portion of the costs with non-Federal funds that were not used as match.

RSA sustains this finding.

Agency Request for Technical Assistance: TWC/VRD is requesting technical assistance from RSA on best practices for determining proportional benefit and for allocating costs across workforce center partners.

D. Technical Assistance

In the course of the monitoring activities, RSA provided technical assistance to VRD as described below.

- The Director requested examples of how other states are ensuring compliance with the Establishment authority as they co-locate under WIOA. RSA will follow up with the agency to put them in touch with other State agencies that have generated internal controls in this area.

SECTION 5: FOCUS AREA – JOINT WORKFORCE INNOVATION AND OPPORTUNITY ACT FINAL RULE IMPLEMENTATION

A. Purpose

The Departments of Education and Labor issued the Workforce Innovation and Opportunity Act (WIOA) Joint Rule for Unified and Combined State Plans, Performance Accountability, and the One-Stop System Joint Provisions; Final Rule (Joint WIOA Final Rule) to implement Title I of WIOA. These joint regulations apply to all core programs of the workforce development system established by Title I of WIOA and the joint regulations are incorporated into the VR program regulations through subparts D, E, and F of 34 C.F.R. part 361.

WIOA strengthens the alignment of the public workforce development system’s six core programs by compelling unified strategic planning requirements, common performance accountability measures, and requirements governing the one-stop delivery system. In so doing, WIOA places heightened emphasis on coordination and collaboration at the Federal, State, local, and tribal levels to ensure a streamlined and coordinated service delivery system for job seekers, including those with disabilities, and employers.

In FFY 2018, the Employment and Training Administration (ETA) in the U.S. Department of Labor (DOL); the Office of Career, Technical, and Adult Education; and RSA developed the “WIOA Shared Monitoring Guide,” which is incorporated in this focus area. RSA assessed the VR agency’s progress and compliance in the implementation of the Joint WIOA Final Rule through this focus area.

B. Implementation of WIOA Joint Final Rule

The RSA team reviewed the following topical areas: WIOA Partnership; Governance; One-Stop Operations; and Performance Accountability. To gather information pertinent to these topics, RSA staff reviewed a variety of documents, including the PY 2016 Combined State Plan and PY 2018 modification and other supporting documentation related to the four topical areas.

WIOA Partnership

WIOA requires States and local areas to enhance coordination and partnerships with local entities and supportive service agencies for strengthened service delivery, including through Unified/Combined State Plans. Beyond the partnerships reflected in the Governance and One-Stop Operations sections of this focus area, Federal partners thought it was important for Federal agencies to inquire about the broader partnership activities occurring to implement many of the approaches called for within WIOA, such as career pathways and sector strategies. These require robust relationships across programs and with businesses, economic development, education, and training institutions, including community colleges and career and technical education local entities and supportive service agencies. The RSA review team explored how these activities are led and sustained to help assess how these initiatives are progressing within the State.

On September 1, 2016, the Texas VR programs were transferred to the Texas Workforce Commission (TWC) by the passage of Senate Bill 208, 84th Texas Legislature, which also required the combination of the two VR programs and the integration of all local VR program offices into local workforce development boards and centers. The VR Program transferred to TWC on September 1, 2016 and the two legacy divisions were combined on October 1, 2017. TWC leadership made significant effort to address stakeholder concerns as they pertain to the consolidation and held public input sessions across the State. Customers and advocates voiced their fears regarding the integration of VR services into the workforce development system and the negative effect on the VR customer experience. It is with this backdrop that TWC leadership formulated a general approach to the transition of VR services, making a commitment to ensuring that VR customers would not experience a decrease in services and that they would have the same or better customer experience as they did previously. VRD staff state that the VR program is working diligently to collaborate with its workforce partners.

In addition, the goal of TWC and VRD is to have as many VR offices as possible co-located with America's Job Centers (AJCs). In Texas, the AJCs are called Texas Workforce Solutions. At the time of the review, one-third of the VRD offices were co-located in AJCs. Where co-location has not yet occurred, VRD dedicated staff assigned to visit and/or has developed linkages between TWC programs. Several of the AJCs provide specialized services, such as one center that serves youth in the city of Austin.

Another feature of TWC's Workforce Solutions is that they have expanded beyond the six core programs and have identified additional partners that are considered required programs under Texas law. VRD staff reported that they are working within each office to educate staff working in other programs about the VR program in order to increase collaboration, referrals, and program knowledge. One example of collaboration is the Summer Earn and Learn (SEAL) program for students with disabilities. Staff from a cross-section of programs worked collaboratively to deliver what they describe as a dynamic and diverse work experience to students, many of whom had never worked prior to their participation in the program.

At the time of the review, VRD employed 12 business relations coordinators across the State -- two in each region -- and an additional 12 employment assistant specialists who work specifically with individuals who are blind and visually impaired to address technology related needs for training and employment. These staff track local business trends and engage with the local workforce development boards (LWDBs). They can assist field staff with the identification of apprenticeships and on-the-job training opportunities and are building relationships with local employers.

One-Stop Operations

In Texas, AJCs comply with the 2012 Texas Accessibility Standards (TAS). The TAS, administered by the Texas Department of Licensing and Regulation, received equivalency certification from the U.S. Department of Justice that the TAS, including the appendix and Architectural Barriers Administrative Rules Chapter 68, met or exceeded the construction and alteration requirements for the ADA and were consistent with the ADA Accessibility Guidelines.

Each LWDB has an Equal Opportunity (EO) officer, and TWC's Regulatory Integrity Division (RID) oversees workforce board compliance with TAS. TWC works with local EO officers who conduct annual reviews of AJCs using the TAS checklist to ensure that any noncompliance issues are addressed promptly. Additionally, TWC submits a Nondiscrimination Plan to the U.S. Department of Labor based on the requirements of 29 C.F.R. Part 38. The Nondiscrimination Plan lays out the requirements for AJCs to be compliant with physical accessibility rules and standards and it speaks to the use of the TAS checklist.

Prior to the integration of VR program offices into AJCs, TWC invested WIOA Title I funds to improve the accessibility of resource room services to people with disabilities. These investments included the purchase of upgraded or new assistive technologies such as JAWS, Zoom Text, large print keyboards, and speech amplification systems. Adjustable desks, work tables and keyboard trays, and services such as qualified staff readers, interpreting services, and the conversion of print materials to braille, large print, or accessible digital content were also added. These accessibility resources were added to the One-Stop Certification Form Checklist that was published in the WIOA Guide to Texas Workforce System Operations.

As VRD's offices continue to be integrated into AJCs, TWC RID's State level EO Coordinator reviews the proposed integration locations to ensure that there are no outstanding accessibility issues that would hamper integration. The VR Regional Director also tours each facility when it becomes a potential integration site and reviews accessibility options for VR customers and staff. While all of the workforce center locations were in substantial compliance with TAS accessibility standards prior to VR program integration, they did not all meet TWC's standard that VR customers would not have a lesser experience coming to an AJC than they had prior to the integration of the VR program. With this vision in mind, the VR Director set a baseline that all AJCs where VRS was colocated would have automatic door openers on the main access door and two bathroom doors that served customers. This level of access was common in VR program offices prior to the integration into the workforce system. Additionally, the VR Director sought to ensure that VR staff with disabilities would have the workplace accommodations necessary to function in the new environment, which sometimes meant adding door openers to restrooms that were on the same floor or in the same suite as the VR offices. TWC management determined that it was a reasonable and necessary cost to ensure the same access to VR office facilities for staff with disabilities as was afforded to staff who did not have disabilities. Because the AJCs where VR offices were integrated were already compliant with TAS and because the additional accessibility costs were to accommodate primarily VR customers and staff, the VR program paid 100 percent of these additional accessibility costs. Nonetheless, see Finding 4.1 in the prior section of this report. Some VR investments in the workforce centers are "portable" and are owned 100 percent by the VR agency. Should additional facility moves be needed, this equipment would be moved with the VR office.

Prior to the integration of the VR program into AJCs, TWC's Field Support Managers worked with the local VR program offices to identify requirements for their integration into the AJCs. These requirements included items such as number of staff, number of workspaces/offices required, amount of space for files, and workplace accommodations for those VR staff requiring them. These VRS requirements are listed on the Board Data Request (BDR) form, which is sent to the LWDB to complete. The LWDBs must determine if they can meet VRD's office requirements and/or to what extent the requirements can be met within the existing facility. The

LWDBs must identify any structural modifications or accessibility issues that will need to be addressed to meet the requirements set forth by the VRD office.

TWC's Guide to Workforce Center Operations provides some examples of cost pools and possible allocation methods. For example, infrastructure costs might use square footage occupied by partner agencies where telecommunications or information technology costs might be allocated based on the number of dedicated phone lines or computer equipment. The costs of resource centers might be based on the number of program participants using the center. To this end, TWC was developing a customer tracker that will be at the front desk of every AJC and will more accurately identify program participants so that costs may be allocated based on customer flow.

Performance Accountability

Section 116 of WIOA establishes performance accountability indicators and performance reporting requirements to assess the effectiveness of States and local areas in achieving positive outcomes for individuals served in the workforce development system. WIOA requires that these program measures apply across all six core programs, with few exceptions. RSA reviewed the VR agency's progress and implementation of performance accountability measures and data sharing and matching requirements.

In Texas, all six of the WIOA core partners are housed within TWC. TWC has a cross-divisional data analysis unit, called the Department of Insight (DOI) that provides data and performance analysis to all components housed in TWC. DOI incorporates cross-program data to put individual program data into context within the broader labor and economic landscape. The Commission meets quarterly to discuss the data and how performance outcomes in one program may affect others within the workforce development system. A set of performance data is sent to the Texas Governor annually and the State legislature receives quarterly performance updates. TWC commissioners are required to explain to the legislature whenever there is a five percent variance in a performance measure from one quarter to another. TWC began tracking the common performance measures under WIOA Section 116 for all six core partners which it uses for internal analysis only at this time. At the time of the review, however, each of the six core partners had separate case management systems. While on-sight, the RSA team learned that Texas is participating in the State Wage Interchange System (SWIS).

C. Findings and Corrective Actions

RSA's review of VRD in this focus area did not result in the identification of findings and corrective actions to improve performance.

APPENDIX A: STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS PERFORMANCE TABLES

Table 1— TX-C VR Agency Profile (PY 2017)

Table 2— TX-C Summary Statistics from RSA-113 (FFYs 2016-2018)

Table 3— TX-C Number and Percentage of Participants Served by Primary Disability Type (PY 2017)

Table 4— TX-C Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PY 2017)

Table 5— TX-C Number and Percentage of Individuals Exiting by Reason during the VR Process (PY 2017)

Table 6— TX-C VR Services Provided to Participants (PY 2017)

Table 7— TX-C Number of Measurable Skill Gains Earned, Number of Participants Who Earned Measurable Skill Gains, and Types of Measurable Skill Gain (PY 2017)

Table 8— TX-C Median Hourly Earnings, Median Hours Worked per Week, Sources of Support, and Medical Insurance Coverage for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

Table 9— TX-C Standard Occupational Classification (SOC) Titles (Major Groups): Percentages of Employment Outcomes and Median Hourly Earnings for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

Table 10— TX-C Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PY 2017)

Table 11— TX-C Number of Students with Disabilities Reported, and the Number and Percentage of Students with Disabilities Who Received Pre-Employment Transition Services (PY 2017)

Table 12— TX-C Number and Percentage of Required Pre-Employment Transition Services Provided (PY 2017)

Table 1— TX-C VR Agency Profile (PY 2017)

VR Agency Profile Data	Number/Percentage
Employment Rate	58.1%
Number of Participants Exiting in Competitive Integrated Employment or Supported Employment	12,818
Measurable Skill Gains Performance Indicator	1.5%
Percentage of Participants Eligible for Measurable Skill Gains	1.7%
Percentage of Timely Eligibility Determinations	99.9%
Percentage of Eligibility Determination Extensions	7.8%
Percentage of Timely IPE Development	83.0%
Number of Applicants	30,409
Number of Individuals Determined Eligible	25,842
Number of Individuals with an IPE and No VR Services Provided	1,282
Number of Participants (with an IPE and VR Services Provided)	19,552

Table 2— TX-C Summary Statistics from RSA-113 (FFYs 2016-2018)

Performance Category	FFY 16	FFY 17	FFY 18
Total Applicants	46,478	39,640	32,953
Total Eligible Individuals (Before IPE)	42,734	35,883	29,288
Agency Implementing Order of Selection	No	No	No
Individuals on Order of Selection Waiting List at Year-End	-	-	-
Percentage of Eligible Individuals with IPE Who Received No Services	20.7%	20.0%	19.8%
Individuals with IPE Receiving Services	76,284	77,125	73,537

Table 3— TX-C Number and Percentage of Participants Served by Primary Disability Type (PY 2017)

Primary Disability Type by Group	Number of Participants	Percent
Visual	6,921	9.5%
Auditory or Communicative	11,573	15.9%
Physical	18,812	25.8%
Cognitive	19,636	26.9%
Psychological or Psychosocial	15,962	21.9%

Detailed Primary Disability Type	Number of Participants	Percent
Blindness	4,602	6.3%
Other Visual Impairments	2,319	3.2%
Deafness, Primary Communication Visual	2,185	3.0%
Deafness, Primary Communication Auditory	764	1.0%
Hearing Loss, Primary Communication Visual	544	0.7%
Hearing Loss, Primary Communication Auditory	7,123	9.8%
Other Hearing Impairments (Tinnitus, Meniere's Disease, hyperacusis, etc.)	624	0.9%
Deaf-Blindness	7	0.0%
Communicative Impairments (expressive/receptive)	326	0.4%
Mobility Orthopedic/Neurological Impairments	2,949	4.0%
Manipulation/Dexterity Orthopedic/Neurological Impairments	1,255	1.7%
Both Mobility and Manipulation/Dexterity Orthopedic/Neurological Impairments	3,853	5.3%
Other Orthopedic Impairments (e.g., limited range of motion)	2,563	3.5%
Respiratory Impairments	644	0.9%
General Physical Debilitation (e.g., fatigue, weakness, pain, etc.)	3,436	4.7%
Other Physical Impairments (not listed above)	4,112	5.6%
Cognitive Impairments (e.g., impairments involving learning, thinking, processing information and concentration)	19,636	26.9%
Psychosocial Impairments (e.g., interpersonal and behavioral impairments, difficulty coping)	13,472	18.5%
Other Mental Impairments	2,490	3.4%

Table 4— TX-C Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PY 2017)

Number of Individuals Who Exited the VR Program	33,206
---	--------

Exit Type	Number of Individuals	Percent
Individual exited as an applicant, prior to eligibility determination or trial work experience	5,043	15.2%
Individual exited during or after a trial work experience	5	0.0%
Individual exited after eligibility, but from an order of selection waiting list	0	0.0%
Individual exited after eligibility, but prior to a signed IPE	6,065	18.3%
Individual exited after an IPE without an employment outcome	9,258	27.9%
Individual exited after an IPE in noncompetitive and/or nonintegrated employment	0	0.0%
Individual exited after an IPE in competitive and integrated employment or supported employment	12,818	38.6%
Individual exited as an applicant after being determined ineligible for VR services	0	0.0%
Potentially eligible individual exited after receiving pre-employment transition services and has not applied for VR services	12	0.0%

Supported Employment	Number of Participants
Number of Participants Who Exited with a Supported Employment Outcome in Competitive Integrated Employment	191
Number of Participants Who Exited with a Supported Employment Outcome in Noncompetitive and/or Nonintegrated Employment	0

Table 5— TX-C Number and Percentage of Individuals Exiting by Reason during the VR Process (PY 2017)

Reason for Exit	Number of Individuals	Percent
Individual is No Longer Available for Services Due to Residence in an Institutional Setting Other Than a Prison or Jail	128	0.4%
Health/Medical	597	1.8%
Death of Individual	222	0.7%
Reserve Forces Called to Active Duty	7	0.0%
Foster Care	5	0.0%
Ineligible after determine eligible	388	1.2%
Criminal Offender	101	0.3%
No Disabling Condition	450	1.4%
No Impediment to Employment	497	1.5%
Does Not Require VR Service	679	2.0%
Disability Too Significant to Benefit from Service	270	0.8%
No Long Term Source of Extended Services Available	9	0.0%
Transferred to Another Agency	127	0.4%
Achieved Competitive Integrated Employment Outcome	12,818	38.6%
Extended Employment	2	0.0%
Extended Services Not Available	9	0.0%
Unable to Locate or Contact	5,938	17.9%
No Longer Interested in Receiving Services or Further Services	6,911	20.8%
All Other Reasons	4,048	12.2%
Number of Individuals Who Exited the VR Program	33,206	

Table 6— TX-C VR Services Provided to Participants (PY 2017)

Total Number of Participants Who Received VR Services	72,993
---	--------

Training Services Provided to Participants	Number of Participants	Percent
Graduate Degree Training	0	0.0%
	3,652	5.0%
Junior or Community College Training	2,250	3.1%
Occupational or Vocational Training	2,488	3.4%
On-the-Job Training	39	0.1%
Apprenticeship Training	0	0.0%
Basic Academic Remedial or Literacy Training	0	0.0%
Job Readiness Training	2,270	3.1%
Disability Related Skills Training	769	1.1%
Miscellaneous Training	1,697	2.3%
Randolph-Sheppard Entrepreneurial Training	0	0.0%
Customized Training	0	0.0%

Career Services Provided to Participants	Number of Participants	Percent
Assessment	11,321	15.5%
Diagnosis and Treatment of Impairment	11,819	16.2%
Vocational Rehabilitation Counseling and Guidance	55,030	75.4%
Job Search Assistance	0	0.0%
Job Placement Assistance	3,078	4.2%
Short-Term Job Supports	898	1.2%
Supported Employment Services	1,986	2.7%
Information and Referral Services	501	0.7%
Benefits Counseling	305	0.4%
Customized Employment Services	0	0.0%
Extended Services (for youth with the most significant disabilities)	0	0.0%

Other Services Provided to Participants	Number of Participants	Percent
Transportation	3,424	4.7%
Maintenance	3,488	4.8%
Rehabilitation Technology	6,171	8.5%
Personal Attendant Services	68	0.1%
Technical Assistance Services	0	0.0%
Reader Services	45	0.1%
Interpreter Services	992	1.4%
Other Services	5,408	7.4%

Table 7— TX-C Number of Measurable Skill Gains Earned, Number of Participants Who Earned Measurable Skill Gains, and Types of Measurable Skill Gains (PY 2017)

Measurable Skill Gains Earned and Participants Earning Measurable Skill Gains	Number
Number of Measurable Skill Gains Earned	28
Number of Participants Who Earned a Measurable Skill Gains	18

Types of Measurable Skill Gains	Number
Educational Functioning Level	3
Secondary Diploma	8
Postsecondary Transcript/Report Card	12
Training Milestone	2
Skills Progression	3

Table 8— TX-C Median Hourly Earnings, Median Hours Worked per Week, Sources of Support and Medical Insurance Coverage for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

Median Hourly Earnings and Hours Worked per Week at Exit

Number of Participants Who Exited in Competitive and Integrated Employment or Supported Employment	12,813
Median Hourly Earnings at Exit	\$11.00
Median Hours Worked per Week at Exit	40

Primary Source of Support at Exit	Number of Participants	Percent
Personal Income	10,077	78.6%
Family and Friends	1,686	13.2%
Public Support	1,040	8.1%
Other Sources	10	0.1%

Public Support at Exit	Number of Participants	Percent
Social Security Disability Insurance (SSDI) at Exit	1,420	11.1%
Supplemental Security Income (SSI) for the Aged, Blind, or Disabled at Exit	833	6.5%
Temporary Assistance for Needy Families (TANF) at Exit	110	0.9%
General Assistance (State or local government) at Exit	299	2.3%
Veterans' Disability Benefits at Exit	72	0.6%
Workers' Compensation at Exit	72	0.6%
Other Public Support at Exit	504	3.9%

Medical Insurance Coverage at Exit	Number of Participants	Percent
Medicaid at Exit	1,359	10.6%
Medicare at Exit	2,050	16.0%
State or Federal Affordable Care Act Exchange at Exit	11	0.1%
Public Insurance from Other Sources at Exit	676	5.3%
Private Insurance Through Employer at Exit	2,936	22.9%
Not Yet Eligible for Private Insurance Through Employer at Exit	112	0.9%
Private Insurance Through Other Means at Exit	2,373	18.5%

Table 9— TX-C Standard Occupational Classification (SOC) Titles (Major Groups): Percentages of Employment Outcomes and Median Hourly Earnings for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

SOC Title	Number of Participants	Median Hourly Earnings
Office and Administrative Support Occupations	2,758	\$10.00
Transportation and Material Moving Occupations	1,213	\$12.40
Food Preparation and Serving Related Occupations	1,114	\$8.50
Sales and Related Occupations	852	\$10.00
Personal Care and Service Occupations	840	\$9.44
Building and Grounds Cleaning and Maintenance Occupations	811	\$9.32
Production Occupations	710	\$11.00
Healthcare Support Occupations	661	\$10.00
Education, Training, and Library Occupations	631	\$16.00
Installation, Maintenance, and Repair Occupations	525	\$13.86
Management Occupations	490	\$17.50
Healthcare Practitioners and Technical Occupations	398	\$21.00
Constructive and Extraction Occupations	386	\$15.00
Protective Service Occupations	341	\$12.00
Community and Social Services Occupations	324	\$16.03
Business and Financial Operations Occupations	231	\$18.33
Computer and Mathematical Occupations	150	\$19.43
Arts, Design, Entertainment, Sports, and Media Occupations	138	\$15.00
Architecture and Engineering Occupations	87	\$23.65
Farming, Fishing, and Forestry Occupations	54	\$12.00
Life, Physical, and Social Science Occupations	50	\$19.06
Legal Occupations	40	\$20.87
Military Specific Occupations	4	\$14.22
Randolph-Sheppard vending facility operator	2	\$39.00

Table 10— TX-C Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PY 2017)

No.	SOC Title	Number of Participants	Median Hourly Earnings
1	Customer Service Representatives	920	\$9.75
2	Stock Clerks and Order Fillers	798	\$9.00
3	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	556	\$9.00
4	Cashiers	282	\$9.00
5	Home Health Aides	277	\$9.00
6	Laborers and Freight, Stock, and Material Movers, Hand	252	\$10.94
7	Dining Room and Cafeteria Attendants and Bartender Helpers	245	\$8.25
8	Heavy and Tractor-Trailer Truck Drivers	216	\$17.63
9	Office Clerks, General	205	\$12.00
10	Retail Salespersons	197	\$9.00

Table 11— TX-C Number of Students with Disabilities Reported, and the Number and Percentage of Students with Disabilities Who Received Pre-Employment Transition Services (PY 2017)

Students with Disabilities	Number/Percentage of Students
Total Students with Disabilities Reported	20,512
Students with Disabilities Reported with 504 Accommodation	1,443
Students with Disabilities Reported with IEP	18,176
Students with Disabilities Reported without 504 Accommodation or IEP	1,192
Total Students with Disabilities Who Received a Pre-Employment Transition Service	2,498
Potentially Eligible Students with Disabilities Who Received a Pre-Employment Transition Service	92
Students with Disabilities, Who Applied for VR Services, and Received a Pre-Employment Transition Service	2,406
Percentage of Students with Disabilities Reported Who Received a Pre-Employment Transition Service	12.2%

Table 12— TX-C Number and Percentage of Required Pre-Employment Transition Services Provided (PY 2017)

Pre-Employment Transition Services	Number of Pre-Employment Transition Services Provided	Percent of Total Pre-Employment Transition Services Provided
Total Pre-Employment Transition Services Provided	5,312	
Job Exploration Counseling	874	16.5%
Work - Based Learning Experiences	1,928	36.3%
Counseling on Enrollment Opportunities	192	3.6%
Workplace Readiness Training	2,153	40.5%
Instruction in Self - Advocacy	165	3.1%

APPENDIX B: SERVICE RECORD REVIEW RESULTS

Participants who Exited with Competitive Integrated Employment or Supported Employment

Data Element	Number with required documentation	Percent with required documentation	Number without required documentation	Percent without required documentation
Date of Application	20	100%	0	0%
Date of Eligibility Determination	19	95%	1	5%
Date of IPE	20	100%	0	0%
Start Date of Employment in Primary Occupation at Exit or Closure	14	70%	6	30%
Hourly Wage at Exit or Closure	13	65%	7	35%
Employment Status at Exit or Closure	16	80%	4	20%
Type of Exit or Closure	17	85%	3	15%
Date of Exit or Closure	19	95%	1	5%

Summary of Service Record Review for Participants who Exited with Competitive Integrated Employment or Supported Employment

Summary	Number (of 20)	Percent (of 20)
Service Records with all required documentation for Data Elements	11	55%
Service Records without all required documentation for Data Elements	9	45%

Reporting Considerations: Information in Supporting Documentation, Case Management System, and RSA-911

Data Element	Number (of 20) where All Information Matches	Percent (of 20) where All Information Matches	Number (of 20) where All Information Does Not Match	Percent (of 20) where All Information Does Not Match
Date of Application	20	100%	0	0%
Date of Eligibility Determination	19	95%	1	5%
Date of IPE	18	90%	2	10%
Start Date of Employment in Primary Occupation at Exit or Closure	14	70%	6	30%
Hourly Wage at Exit or Closure	16	80%	4	20%

Date of Exit or Closure	19	95%	1	5%
-------------------------	----	-----	---	----

Participants who Earned Measurable Skill Gains (MSG)

Data Element (MSG Types as applicable)	Number with required documentation	Number without required documentation	Percent with required documentation	Percent without required documentation
Start Date of Initial VR Service on or after IPE	14	4	77.8%	22.2%
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	9	9	50%	50%
Date of Most Recent MSG: Educational Functioning Level	1	1	50%	50%
Date of Most Recent MSG: Secondary Transcript Report Card	6	5	54.5%	45.5%
Date of Most Recent MSG: Postsecondary Transcript/Report Card	4	7	36.4%	63.6%
Date of Most Recent MSG: Training Milestone	0	2	0%	100%
Date of Most Recent MSG: Skills Progression	0	3	0%	100%

Summary of Service Record Review of Participants who Earned Measurable Skill Gains (MSG)

Summary	Number (of 18)	Percent (of 18)
Service Records with all required documentation for Data Elements (as applicable)	5	27.8%
Service Records without all required documentation for Data Elements (as applicable)	13	72.2%

Reporting Considerations: Information in Supporting Documentation, Case Management System, and RSA-911

Data Element (MSG Types as applicable)	Number (of 18) where All Information Matches	Percent (of 18) where All Information Matches	Number (of 18) where All Information Does Not Match	Percent (of 18) where All Information Does Not Match
Start Date of Initial VR Service on or after IPE	13	72.2%	5	27.8%
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	7	38.9%	11	61.1%
Date of Most Recent MSG: Educational Functioning Level	1	50%	1	50%
Date of Most Recent MSG: Secondary Transcript Report Card	4	36.4%	7	63.6%
Date of Most Recent MSG: Postsecondary Transcript/Report Card	2	18.2%	9	81.8%
Date of Most Recent MSG: Training Milestone	0	0%	2	100%
Date of Most Recent MSG: Skills Progression	0	0%	3	100%

APPENDIX C: FISCAL DATA TABLES

Note: Calculations for these tables can be found in Appendix F of the MTAG.

Table V.1 Texas-Combined (TX-C) VR Resources and Expenditures—FFYs 2016–2018*

VR Resources and Expenditures	2016	2017	2018*
Total program expenditures	\$308,944,888	\$353,988,783	\$185,557,807
Federal expenditures	\$243,139,628	\$278,589,172	\$118,670,666
State agency expenditures (4 th quarter)	\$65,805,260	\$66,464,407	\$66,887,141
State agency expenditures (latest/final)	\$65,805,260	\$75,399,611	\$66,887,141
Federal formula award amount	\$243,139,628	\$245,589,172	\$252,945,496
Reserve amount required for pre-employment transition services (15 percent)	\$36,470,944	\$41,788,376	\$37,070,549
Amount expended on pre-employment transition services	\$36,470,944	\$41,788,376	\$13,976,449
Percentage expended on pre-employment transition services	15.00%	15.00%	5.66%
MOE penalty from prior year	\$0	\$0	\$0
Federal award amount relinquished during reallocation	\$0	\$0	\$5,808,501
Federal award amount received during reallocation	\$0	\$33,000,000	\$0
Federal funds transferred from State VR agency	\$0	-\$18,040,190	\$0
Federal funds transferred to State VR agency	\$0	\$18,040,190	\$0
Federal award amount (net)	\$243,139,628	\$278,589,172	\$247,136,995
Federal award funds deobligated	\$0	\$0	\$0
Federal award funds used	\$243,139,628	\$278,589,172	\$247,136,995
Percent of formula award amount used	100%	116.8%	97.70%
Federal award funds matched but not used	(\$5)	(\$33,014,110)	\$0

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.

Table V.2 Texas-Combined (TX-C) Non-Federal Share and Maintenance of Effort—FFYs 2016–2018*

Non-Federal Share (Match) and Maintenance of Effort (MOE)	2016	2017	2018*
Match required per net award amount	\$65,805,261	\$75,399,611	\$66,887,141
Match provided (actual)	\$65,805,260	\$66,464,407	\$66,887,141
Match difference**	\$1	\$8,935,204	\$0
Federal funds matched (actual)	\$243,139,623	\$245,575,062	\$247,136,995
Percent Federal funds matched	100.00%	88.15%	100.00%
MOE required	\$64,518,515	\$65,457,089	\$65,805,260
MOE: Establishment/construction expenditures	\$0	\$0	\$0
MOE actual	\$65,805,260	\$66,464,407	\$75,822,345
MOE difference**	-\$1,286,745	-\$1,007,318	-\$10,017,085

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.

** A positive amount indicates a deficit. A negative amount indicates a surplus.

Table V.3 Texas-Combined (TX-C) Program Income and 4th Quarter Data—FFYs 2016–2018*

Program Income and Carryover	2016	2017	2018*
Program income received	\$32,703,925	\$20,921,320	\$31,082,025
Program income disbursed	\$28,704,245	\$20,921,320	\$31,082,025
Program income transferred	\$5,725,487	\$0	\$0
Program income used for VR program	\$22,978,758	\$20,921,320	\$31,082,025
Federal grant amount matched (4 th quarter)	\$243,139,623	\$245,575,062	\$247,136,995
Federal expenditures (4 th quarter)	\$157,425,753	\$157,130,968	\$116,112,964
Federal unliquidated obligations (4 th quarter)	\$40,509,653	\$37,781,012	\$22,112,901

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.